

	American University of Central Asia	
	Department of economics	
ECO 112.1	Principles of Microeconomics	Spring semester, 2014
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## Course Syllabus

### Course goals

In this course you will study essential components of the market economy consisting of individual consumers and producers buying and selling resources and products. We shall first consider the classical theory of how individual self interest and trade creates value by organizing and incentivizing decisions. You will understand the principles of supply and demand and how they determine market prices and quantities produced and consumed. Knowledge of the laws of supply and demand will enable you to predict how markets will adjust to fundamental changes in tastes, costs, loss and discovery of resources and new technologies, and external events. You will be able to analyze how interference through government action often results in loss of efficiency and value.

In the second half of the course we will learn the limits of the classical theory. We consider the role of competition, whether competitive markets or cartels are natural and stable. We study competition and monopoly as extreme ends of a spectrum of market organization, and discuss alternative models and market behaviors. You will learn how market outcomes fail to be efficient when market participants' activities affect third parties not represented in market exchange. These activities may result in under-supply of public goods like education or trash collection, over supply of public bads like polluted air and water, the failure to invent, innovate, and develop.

### Readings:

You should be prepared for the classes by previewing the video and reading material. The readings cited in the schedule below will enhance understanding and participation during my presentations and will also give alternative perspectives and examples.

There are many textbooks written for an introduction to microeconomics. E-book files are available in the online course library and blog.

(GM) N Gregory Mankiw, Principles of Microeconomics, 4<sup>th</sup> edition available through the economics department administrative assistant..

**(RS) [Principles of Microeconomics](https://class.coursera.org/steinmicro-002/lecture/index)** by Rebecca Stein, Coursera and University of Pennsylvania, <https://class.coursera.org/steinmicro-002/lecture/index>.

This web page has video lectures which can be watched prior to coming to the class lecture, especially if you are having difficulty with English. The advantage is not just to be familiar with material to be discussed in class, but you can rewind the recording and review her lecture. The web page also provides a transcript.

### Grading:

Participation in class and forums: 10%

Homework / Project: 20%

2 midterm exams: 20% each

Final: 30%

On graded quizzes and examinations, you are expected to know any definitions, facts, theories, or methods of analysis mentioned in class meetings, homework assignments, and prior quizzes and exams. I encourage collaborative learning and study groups. However, AUCA rules and regulations regarding plagiarism will be strictly enforced.

Attendance in class is mandatory. Arriving late or leaving early is rude. Please discuss with me reasons for regular tardiness or early departure. Missing exams without prior discussion will not be excused. Silence during exams is expected and copying off others can result in a loss of grade.

**Schedule of topics.** Although there are 14 topics and weeks in the semester, the schedule is intended to be flexible. Readings reference the Mankiw text and Stein lectures above. TBD is “to be determined”. More information will be given at a later date.

	Topic	sub-topics	Readings
1	Introduction to Economics	What is micro-economics? Organize society to create value. Create value through critical thinking, rational organizing, and trade..	GM: ch 1,2 RS: lec 1.1
2	Gains from trade	Consumption opportunities, indifference curves and edgeworth box	
2	Normative and Descriptive Theories	Elements of rational decisions: Opportunity Cost; Product possibilities frontier; Specialization, Gains from trade.	GM: ch 3 RS: lec 1.2 – 1.3
3	Demand and supply	The curves; ceteris paribus; when other things change; sensitivity to change (elasticity): supply and demand. How to measure Value: by source? e.g. energy, or labor, or by market? buyer, seller? distribution of the surplus, competition, Pareto efficiency.	GM: ch 4,5,6 RS: lec 2
4	Sensitivity to price;	Marginal reasoning; Prices convey marginal information about social cost and value; Elasticity; taxation, price controls and subsidies, dead weight loss	GM: ch 7,8,9 RS lec 3
5	Exam.1		
6	The firm;	Production and costs, supply; short run vs long run; scale economies, profit	GM: ch 13 RS lec 4
7	Market Structure I	Competition / Monopoly / cartels	GM: 14,15 RS lec 5,6
8	Market Structure II	oligopoly, niche markets, location, game theory, social networking advertising marketing	GM: 16,17 RS lec 7
9	Exam 2		
10	When markets fail	Property rights, external effect's, environment and climate change, is competition always good, resource pool	GM: ch 10,11 RS lec 8
14	Review; Project Presentations		