

Fall 2016  
Economics 2030 – Principles of Economics: Microeconomics (Honors)

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Office Hours: Monday: 4 – 5 PM, Wednesday 9 – 10 AM, Friday: 10 AM – 11 AM. Or, send an email and we can make an appointment.

Text (required): Mankiw, N. Gregory, *Principles of Economics* (current edition)

Introduction: Economics is the study of the allocation of scarce resources. Microeconomics is the study of individuals, households, and firms as they solve the problem of matching scarce resources with unlimited wants. Since the government often affects how such decisions are made, we will also cover some analysis of how the government makes resource allocation decisions.

Synopsis: The course will consist of lectures and discussion. The lectures will complement rather than substitute for the text so it is a good idea to both read the text and attend the lectures. This is especially true for this class since we will be doing stuff that is not in the text. I've got three topics we will spend some time studying: 1. income inequality and its effect on overall economic output, 2. asymmetric information and its effect on market performance and 3. behavioral economics – how economics and psychology overlap.

Evaluation: There will be 3 tests during the semester. Each test will be on the material covered since the previous test. There will also be a number of assignments. Roughly, the tests will count for 70% of your grade and the assignments for 30%. Test dates are approximate. I'll give you lots of warning.

Outline:

- I. Introduction – Chapters 1 - 3. We will pay special attention to the Appendix to Chapter 2 (Graphing Review).
- II. Markets and How They Work in Theory – Chapters 4 and 6.
- III. Elasticity or Empirical Responses to Exogenous Changes – Chapter 5.

**Test 1 (sections I – III) September 16**

- IV. Efficiency of Markets – Chapters 7 and 8. Economists love “the market” and here is why. I'm an empirical economist and observe many cases of markets not working very well so we will talk about these.
- V. Market “Failures” Externalities and Public Goods – Chapters 10 and 11. Why we set up governments and assign them certain tasks. To this we add Chapter 22 – the section on economics of asymmetric information.

VI. Income distribution and the effects of inequality – Chapter 20

VII. Production and Cost – Chapter 13

**Test 2 (sections IV – VI) October 28**

VIII. Monopoly – Chapter 15. How to set price and output when you are the only producer.

IX. Market Entry – Chapters 16, and 17, and 14. Decisions on price and output are affected by the existence of rival producers. Is religion an industry? What about University education?

X. Absolute Market Entry – Chapter 14. When it is very easy (low cost) to enter a market the profits fall to zero.

XI. Some frontier topics.

**Test 3 (sections VII – X) held in Final Exam Slot.**

Grades: You will earn points for each of the tests and assignment. These points will be added up and converted to a percentage score. Your letter grade will be based on this score as in the table below.

| Percentage Score | Grade |
|------------------|-------|
| 94-100           | A     |
| 90 – 93          | A-    |
| 88 – 89          | B+    |
| 84 – 87          | B     |
| 80 – 83          | B-    |
| 78 – 79          | C+    |
| 74 – 77          | C     |
| 70 – 73          | C-    |
| 66 – 69          | D+    |
| 60 – 65          | D     |
| 0-59             | F     |

Note: There are some announcements that could appear here but are part of university policy. I expect you can and should look these up.

The web site is: <http://www.academicaffairs.appstate.edu/resources-forms>