Syllabus for Spring 2010
Economics 201: Principles of Microeconomics
Department of Economics
Indiana University-Purdue University @ Indianapolis (IUPUI)
Lecturer: Baiyee-Mbi Agbor-Baiyee, PhD.

Caution
This principles of microeconomics course (Econ-201) that I teach is very demanding. I want to bring it to your attention (ahead of time) that you are going to complete many quizzes and exams including:
1) 13 quizzes for thirteen chapters that will be completed
2) 3 mid-term exams
3) An in-class final exam
4) A practice common exam, and
5) A common exam
I will not entertain any complaints later on in the semester about the amount of work in the course because you are warned ahead of time concerning what is expected of you in the course. If you know that you will not be able to keep up with the requirements in my class, then consider switching to another section before it is too late. My students do exceptionally well in the common exam because I prepare them very well. I look forward to working with each one of you who is ready to do the work without complaining.

I. Course Information
Course section: 1856
Period: August 23rd to December 13th 2010.
Meeting time: 1:30 pm to 4:45 pm Monday & Wednesday.
Location: 105 Lecture Hall (LE 105)

Contact Information
E-mail: bagborba@iupui.edu
Office Hours: Monday & Wednesday 10:00 am- 1:00 pm
Location: 313 Cavanaugh Hall or by appointment

II. Course Materials
Required textbook: Students are expected to complete all assigned readings. This requires that you own the textbook for the course. The textbook for the course is:
Additional reading materials will be assignment as needed.

Library: You can search catalogues and access electronic resources from the library through the following web address: http://www.ulib.iupui.edu

III. Course policies
Academic Honesty Statement:
The university is committed to academic integrity in all its practices. Intellectual integrity and a high academic conduct are virtues that are expected of all students. Practices that violate academic integrity undermine educational quality and achievement. You should all strive to uphold intellectual integrity and a high academic conduct in all my class activities.

Any behavior that is considered as cheating or academic dishonesty will not be tolerated in this course. This includes but it is not limited to, plagiarism, cheating in exams, acquisition of tests or other academic materials, as well as aiding and abetting others in committing the violation.

IV. Attendance Policies
**Administrative Withdrawal Policy:** A basic requirement of this course is that you will participate in class and conscientiously complete writing and reading assignments. Keep in touch with me if you are unable to attend class or complete an assignment on time. If you miss more than half of our class meetings within the first four weeks of the semester without contacting me, you will be administratively withdrawn from this section. Our class meets twice per week; thus if you miss more than four classes in the first four weeks, you may be withdrawn. Administrative withdrawal may have academic, financial, and financial aid implications. Administrative withdrawal will take place after the full refund period, and if you are administratively withdrawn from the course you will not be eligible for a tuition refund. Detailed information about the policy can be found in the following website: [http://registrar.iupui.edu/withdrawal-policy.html](http://registrar.iupui.edu/withdrawal-policy.html)

**Specific Course Attendance Policies:** Regular and timely attendance of all class sessions is required in this course. The course is designed in such a way that you have to turn in weekly take-home quizzes that account for a substantial proportion (about 26%) of your final grade. All the quizzes must be submitted in class. **You are required to be present in class for the quizzes to be accepted.** If you are irregular in attendance, you may be asked to drop the course. I will collect roll every day in-class to make sure that the attendance policy is enforced.

**Note the Following:**

- **I will not accept any late quizzes and there is no provision for make-up exams. All course activities are expected to be completed on their scheduled dates. There is no exception to this requirement.**
  - If you miss up to 5 classes, no matter what the excuses are and no matter how well you are performing in the course, the maximum grade you can earn in the course is a B grade.
  - If you miss more up to 8 classes, no matter the excuses are and no matter how well you are performing in the course, the maximum grade you can earn in the course is a C grade.

**D. Methods of Assessment and Evaluation**

Economics is a very technical subject that requires practice. The assessment activities in this course are designed to emphasize important concepts through reinforcing activities. Your grade will be based on the following assessments:

**Take home Quizzes:** There is a take home quiz for each chapter that is covered. I consider the quizzes the most important activity in the course. My experience teaching this course shows that there is a strong correlation between the level of performance in the quizzes and performance in the mid-term and final exams. In other words, if you understand how to approach the problems in the quizzes, you should be able to well in the tests and exams.

This suggests that you should do the take-home quizzes yourself because if you are performing well in the quizzes and the same level of performance is not reflected in the mid-term exams, it implies that you did not do the quizzes yourself. The due dates on the quizzes will be told to you in class. We are going to cover 13 chapters in the course and there
will be 13 related take home quizzes. Each quiz accounts for 2% of the course grade for a cumulative total of 26% of your grade.

**In-Class Mid-term Exams:** There will be 3 mid-term exams that will take place in class. Each of the mid-term exam accounts for 10% of the course grade for a cumulative total of 30% of your grade.

**Practice Final Exam:** The practice final exam is intended to prepare you for the in-class and the common final exams. The practice final exam accounts for 5% of your grade.

**In-class Final Exam**
An in-class final exam will be given in preparation for the common final exam. This exam will cover all chapters similar to those in the common finals. The exam will account for 14% of your grade.

**Common final Exam:** The same final exam will be taken by your class and students who are registered in all other sections of econ 201 at IUPUI. This exam will be taken at the same location and at the same time. After completing the syllabus, we will spend the final week of reviewing and preparing for the common final exam. The common final exam, which accounts for 25% of your grade, is comprehensive and it is designed by the Department of Economics. You should not be alarmed or concerned about the common exam. I will prepare you well and I am confident that you will do well in the common final exam.

**Bonus Points for Attendance and Participation**
There is potential to earn 1% bonus point for class participation. I will record, your class participation each day in class. There is also potential to earn 2% bonus points for attendance. If you attend all the class sessions and turn in all assignments on time, you will earn 3% bonus points that will be added to your cumulative course grade.

**Summary of Course Assessments**
- Common final exam 25%
- Practice Final Exam 5%
- In-class final exam 14%
- 3 Mid-term exams@ 10% each 30%
- 12 Take-home Quizzes @ 2% each 26%
- Perfect attendance Record 3%

**Grade Distribution**
- A 90% and above
- A- 90% to 87%
- B+ 87% to 84%
- B 84% to 81%
- B- 81% to 78%
- C+ 78% to 74%
- C 74% to 71%
- C- 71% to 68%
- D+ 68% to 60%
- D 69% to 55%
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- D- 55% to 50%
- Below 50%

Detailed Summary of Course Activities & Examination schedule

<table>
<thead>
<tr>
<th>Weekly Course Outline</th>
<th>Lecture Schedules and Assignments Due</th>
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<tbody>
<tr>
<td><strong>Chapter1: What is Economics</strong></td>
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<tr>
<td>The central issues in economics:</td>
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<tr>
<td>- The relationship between scarcity, choice, and incentives</td>
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<td>- The economic problem and the big economic questions</td>
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<td>- Types of Economic Resources</td>
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<td>- The economic way of thinking</td>
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<td>- Choices, tradeoffs, &amp; opportunity cost</td>
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<td>- Marginal analysis</td>
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<tr>
<td>The scope of economics</td>
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<td>- The two main branches of economics</td>
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<td>- Economics as a social science subject</td>
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<td>- Normative economics</td>
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<td>- Positive Economics</td>
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<td>- Limitations of economics</td>
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<tr>
<td><strong>Chapter2: The Economic Problem</strong></td>
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<tr>
<td>Production Possibilities (PPF) &amp; Opportunity Cost</td>
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<tr>
<td>- Production Efficiency</td>
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<td>- Tradeoffs along PPF</td>
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<tr>
<td>- The law of Increasing Cost</td>
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<tr>
<td>Efficient Use of Resources</td>
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<td>Economic Growth</td>
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<td>Gains From Trade</td>
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<td>Economic Coordination</td>
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*Week1 Lecture*

*Week2 Lecture*
### Chapter 3: Demand & Supply

Interactions between Demand & Supply
- Competitive markets and price
- Quantities Demand (Supply)
- The laws of demand (Supply)
- Demand (Supply) Curves & Schedules
- Own Price changes & Increase in Demand (supply)
  - Emphasis on
    - Difference between change in the quantity demand and change in demand
- Demand (Supply) Shifters & Changes in demand (Supply)
  - Emphasis on
    - Complements & Substitutes
    - Normal & Inferior goods
- Individual & Market demand (supply).

**Market Equilibrium**
- Equilibrium Price & Quantity
- Impact of Shortage in the market
- Impact of Shortage in the market

**Predicting Changes in Demand & Supply**
- Effects of increasing demand (Supply)
- Effects of decreasing demand (supply)

### Chapter 4: Elasticity

**Elasticity of Demand**
- Types of Elasticity of Demand
- Computation of Price Elasticity
- Total Revenue & Elasticity
- Expenditure & Elasticity
- Factors influencing Elasticity
- Cross Price Elasticity of Demand
- Income Elasticity of Demand

**Elasticity of Supply**
- Computation of Elasticity of Supply

**Factors Influencing Elasticity of Supply**

### Chapter 5: Efficiency & Equity

**Methods of Resource Allocation**
- Demand, marginal Benefits, and consumer surplus
- Supply, marginal Costs, Producer surplus

**Market efficiency**
- Efficiency of Competitive Equilibrium
- Invisible hand
- Under and over production
- Obstacles to efficiency

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**Week 3 Lecture**  
Chapter 1 & 2 take home quiz is due

**Week 4 Lecture**  
Chapter 3 take home quiz is due

**Week 5 Lecture**  
Chapter 4 take home quiz is due
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<th>Chapter 6: Government Action in Markets</th>
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<td>Price Controls</td>
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<td>• Price Ceiling</td>
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<td>• Price Floor</td>
<td>Week 6 Lecture</td>
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<tr>
<td>Applications of price controls</td>
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<td>• Housing markets</td>
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<td>• Labor market and minimum wage</td>
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<td>• Financial market interest rate</td>
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<td>Impact of Taxes on buyers, sellers</td>
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<td>• Taxes and elasticity of supply (demand)</td>
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<tr>
<td>• Taxes and efficiency</td>
<td>Week 5 take-home quiz is due</td>
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<tr>
<td>Subsidies and Quotas</td>
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<tr>
<td>Markets of illegal goods</td>
<td>Week 6 take-home quiz is due</td>
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| First Mid Term Exam                    | Exam will cover chapters 1, 2, 3, 4, 5, & 6. |

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<tr>
<th>Chapter 10: Organizing Production</th>
<th>Week 7 Lecture</th>
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<td>Implicit and explicit costs</td>
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<td>Decision Time Frames</td>
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<td>• Short and long Run</td>
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<td>Short-Run Technology</td>
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<td>• Product Schedule – total, marginal, &amp; average product</td>
<td>Week 8 Lecture</td>
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<tr>
<td>• Product curves- total, marginal, &amp; average product curves</td>
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<td>Short-run Cost</td>
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<tr>
<td>• Total variable cost, Total fixed cost, &amp; Total Cost</td>
<td>Chapter 10 Take-home quiz is due</td>
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<tr>
<td>• Marginal cost</td>
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<td>• Average variable cost, average fixed cost, &amp; average total cost</td>
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<tr>
<td>Long-run Cost</td>
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<tr>
<td>• Production function &amp; Diminishing Returns to scales</td>
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<td>• Short &amp; Long-run cost</td>
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<tr>
<td>• Long-run average cost curve</td>
<td></td>
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<tr>
<td>• Economies and Diseconomies of scale</td>
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</tbody>
</table>
### Chapter 12: Perfect Competition

Perfect competition & its Characteristics
- How perfect competition arise
- Economic profit vs. accounting profit (revenue)

Firm's Decisions in Perfect Decision
- Long and short run decisions
- Profit maximizing output
- Marginal Analysis
- Profit and losses in the short run
- Short run Firm's supply curve
- Short Run Industry supply Curve

Output, Price, and Profit in Perfect Competition
- Short run equilibrium
- Change in demand
- Long-run Adjustments

Competition and Efficiency
- Efficient resource use
- Choices, equilibrium, and efficiency

### Chapter 13: Monopoly

Market Power and monopoly
- How monopoly arise
- Price setting strategies
- Price and marginal revenue
- Marginal Revenue and Elasticity
- Price and output decisions

Monopoly and perfect competition compared

Price Discrimination and surpluses
- Profiting by price discrimination
- Price Discrimination, Efficiency, and Rent seeking

Regulating monopolies

### Second Mid-Term Test

Chapter 16: Externalities

Public vs. Private goods

Externalities in our lives
- Negative production & Consumption externalities
- Positive production & consumption externalities

Private and social costs
- Properties Rights
- Coase Theorem and transaction costs
- Government Action in the face of external costs

Private benefit and social benefits
- Government Action in the face of external benefit

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*Week 9 lecture*
Chapter 11 take-home quiz is due

*Week 10 Lecture*
Chapter 12 take home quiz is due
Chapter 13 take-home quiz is due

*Exam will cover chapters 10, 11, 12, & 13.*
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### Chapter 18: Markets for Factors of Production
- **Factor prices and Incomes**
  - Demand for factors of Production
- **Labor markets**
  - Demand for labor
  - Marginal Revenue Product
  - Labor demand curve
  - Two profit maximizing conditions
  - Factors that cause changes in demand for labor
  - Market demand
  - Elasticity of demand for labor
  - Supply for labor
  - Factors that cause change in supply for labor
  - Labor market power –Unions & monopsonies
  - Efficiency wages

### Capital Markets
- Demand for capital and the demand curve for capital
- The supply for capital and supply curve for capital
- Demand, supply, & capital market equilibrium

### Natural Resource Markets
- Renewable Vs. Non Renewable Resources
- Supply for Renewable natural resources
- Supply for non-renewable natural resources

### Economic Rent, Opportunity cost, and Taxes

### Chapter 7 Trading with the World
- **Patterns and trends in international Trade**
- **Gains from International Trade**
  - Opportunity cost gains from trade
  - Comparative and absolute advantages
  - Consumption possibilities
  - Terms of Trade
  - Calculating gains from trade

### International trade restrictions
- Tariffs & non-Tariff barriers
- Arguments for Trade restriction

### Third Mid-Term Exam
Exam will cover chapters 16, 18, & 7

### General Review for Finals
**Week14 General Review**

### Practice Final Exam
**Week14**

### In-class Finals
**Week15 In-class Finals**

### Common Final Exams
**Wednesday December 15th from 10:30 a.m. to 12:30 p.m. in the lecture hall. The room will be announced later.**

*With your cooperation, we are going to have a great semester. Let’s do it.*

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