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**ECON 201 Section 002**  
**Principles of Microeconomics**  
**Fall 2014 Tuesday & Thursday 1-2:15, Cuneo, Room 002**

**Catalog Description**

This course is an introduction to demand and supply, consumer choice, price analysis in alternative industrial organizations, and the distribution of income.

Outcome: Students will be able to think critically about price formation in different market structures, and how prices, household incomes and income distribution in a diverse society are determined with interpretations based on the concepts of opportunity costs and decision making under uncertainty.

**Course Overview**

This course studies the determination of prices, consumption, production and how they effect equity, consumer welfare and consumer efficiency. First, concepts of opportunity costs and decision making under uncertainty are examined. Then consumer and firm behavior are modeled with the ultimate purpose of understanding how they are related to economic welfare (consumer surplus) and economic efficiency. The course studies how societies and individuals behave under different institutional and market structures. Consumer welfare under different market structures, international trade and the resulting income distributions are examined. Finally, different economic systems are compared with respect to their impact on household and personal income inequalities.

**Course Objectives and Learning Outcomes**

For a more detailed description of course objectives and learning outcomes, please see end section.
Required Materials

B. Other class materials available on Blackboard (exercises, PowerPoint slides, etc.)

Suggested Supplementary Resources

Study Guide Parkin required text

Course Requirements and Grading Criteria

There will be 2 hourly examinations and a final. Dates and course weights of the exams are as follows:

- Exam I: Tuesday, September 23  (30%)
- Exam II: Thursday, October 30   (30%)
- Final: Tuesday, December 9, 1-3  p.m  (40%)

http://www.luc.edu/academics/schedules/spring/exam_schedule.shtml

*Hourly exam dates are subject to change at the discretion of professor

Course Grading Scale

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<tbody>
<tr>
<td>A</td>
<td>90%</td>
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<tr>
<td>A-</td>
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<td>B-</td>
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<tr>
<td>C</td>
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Loyola University Grade Weights

<table>
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<tr>
<th>Grade</th>
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<tr>
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Quinlan School of Business Policies:

Attendance

Class attendance and participation are fundamental components of learning, so punctual attendance at all classes, for the full class meeting period, is expected of Quinlan students. Faculty may set participation policies unique to their courses and use class participation as a component of the final grade. The student is responsible for ALL assignments or requirements missed during an absence.
Make-Up Examinations

Loyola University academic policy provides that tests or examinations may be given during the semester or summer sessions as often as deemed advisable by the instructor. Because Quinlan faculty believe examinations represent a critical component of student learning, required examinations should be taken during the regularly scheduled class period. **Make-up examinations are discouraged.** Exceptions may be granted only by the faculty member or department chair, and only for unavoidable circumstances (illness verified by a signed physician’s note, participation in intercollegiate athletic events, subpoenas, jury duty, military service, bereavement, or religious observance). A make-up final examination may be scheduled only with the permission of the appropriate Quinlan Assistant or Associate Dean.

If a make-up examination must be given, it is the responsibility of the faculty member to prepare, schedule, and proctor the exam. The only regular exception is for a student athlete, who may use the testing services of the Athletics Department to complete a make-up examination. For a student with a documented special testing need, please consult University policy concerning use of the testing center in Sullivan Center at Lake Shore Campus.

**Academic Integrity**

All members of the Quinlan School shall refrain from academic dishonesty and misconduct in all forms, including plagiarism, cheating, misrepresentation, fabrication, and falsehood…Plagiarism or cheating on the part of the student in individual or group academic work or in examination behavior will result minimally in the instructor assigning the grade of “F” for the assignment or examination. In addition, all instances of academic dishonesty must be reported to the chairperson of the department involved.


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**Course Outline**

<table>
<thead>
<tr>
<th>Topics</th>
<th>Reading Assignments by Chapters</th>
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<tbody>
<tr>
<td>The Nature of Economics</td>
<td>Ch. 1</td>
</tr>
<tr>
<td>Review of Graphs (if needed)</td>
<td>Ch. 1 (Appendix)</td>
</tr>
<tr>
<td>The Economic Problem: Production Possibility</td>
<td>Ch 2</td>
</tr>
<tr>
<td>Frontier</td>
<td>Ch. 3</td>
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<tr>
<td>Demand and Supply Analysis</td>
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Efficiency: Consumer Surplus, Producer Surplus  
Ch. 5, pp. 108-112

Regulation  
Ch. 6, pp.128-131

Elasticity of Demand and Supply, Cross-Price and Income Elasticities, Elasticity and the Tax Burden  
Ch. 4, Ch 6, pp. 133-134

Demand and Utility, The Law of Diminishing Marginal Utility, Utility Maximization Behavior  
Ch. 8

Introduction to Business Organization-Sole Proprietorships, Partnerships, and Corporations; Economics Profits  
Ch. 10, pp. 234-240

Productions and Costs, The Average/Marginal Relationship, Production Functions and the Law of Diminishing Returns, (Short run), Returns to Scale (Long run); Cost concepts – short run and long run  
Ch. 10, pp. 228-229

Markets Structures:(Setting Output, Price, Determination of Profits in short-run and long-run)  
Perfect Competition in the Short Run and Long Run  
Ch. 12, Ch.16, pp. 381-382

Monopoly; Price Discrimination; Monopoly and Competition Compared  
Ch. 13

Monopolistic Competition  
Ch. 14

Oligopoly and Anti Trust Laws  
Ch. 15

Factor Markets : Marginal Factor Cost, Marginal Revenue Product, Derived Demand, Profit Maximization, Labor Markets, the Firm's Demand for Labor, the Labor Supply Curve, Wage Structure, Wage Differentials, Monopsony  
Chapter 18 and Appendix

Market Failures  
Ch. 16
Special Topics (time permitting):
Asymmetric Information: Moral Hazard and Adverse Selection Problems
International Trade: Comparative Advantage, Tariffs

Please note: This class may occasionally deviate from the course outline above. The instructor reserves the right to make changes as needed to the course syllabus.

Detailed Learning Objectives

Knowledge Area (Societal and Cultural Knowledge):

a) “Demonstrate an understanding of the relationships among cultural, economic, political, and social forces, and their impact on human behavior.” The fundamental focus of the course is the universal problem of how societies and individuals address the reality of unlimited needs and limited resources. Models of individual and enterprise behavior are developed in order to help students learn to appreciate and analyze a wide range of specific manifestations of the “economic problem.” Applications of economic models will be made to individual and social issues such as: pollution, public goods, the distribution of income, discrimination, price controls, minimum wages. The course covers many topics which show how societies and individuals behave under different institutional and market structures, including behavior under monopolies and monopsonies or during hyperinflations or recessions. Students learn about the history of labor movements, and of conditions which lead to bartering or hoarding or black marketeering.

b) “Demonstrate an understanding of the processes and components of societies, states, and cultures.” Corporate, legal, labor environments of a country are studied through price formation and welfare implications of how taxation, government regulation and government subsidies affect consumer and producer surplus on a national and international basis.

c) “Demonstrate an understanding of differences of class, gender, and race in societies, states, and cultures.” The students study wage formation through value of marginal product and study how gender, racial wage and cultural discrimination result in unfair wages which negatively affect both the individual and total welfare of the society. They also learn about how measures against job discrimination and monopsony wages can be taken to increase the welfare of individual’s and society.

d) “Demonstrate awareness that human values and behavior, ideas of justice, and methods of interpretation are influenced by culture and time.” Course focuses on the formation of income distribution through pricing mechanisms and compares societies and economic systems with respect to their household and personal income inequalities. Just incomes, wages and monopolistic profits are the basis of discussions in this course.
Skills (Critical Thinking Skills and Dispositions):

Econ 201, Principles of Microeconomics, uses problem solving, inquiry, and decision-making under uncertainty. Specifically, the following competencies are addressed.

a) “Analyze relationships among statements, questions, concepts, descriptions, or other forms of representation intended to express beliefs, judgments, experience, reasons, information, or opinions.” The course uses analytical and case based reasoning to discuss behavior of prices, of individuals, of firms and of societies. The students are taught to distinguish between variables which affect consumer behavior from firm behavior and are asked to predict market outcomes when one or the other party (or both) have fundamental changes in their behaviors. Students learn to quantitatively predict demand and supply behavior by choosing and isolating important variables from real world examples.

b) “Evaluate the strengths and weaknesses of varying points of view.” The students are taught the critical skills of normative and positive reasoning in economics and learn to understand conflicts in economic policies by different schools of thought in economics.

c) “Generate new ideas, hypotheses, opinions, theories, questions, and proposals; and develop strategies for seeking and synthesizing information to support an argument, make a decision, or resolve a problem.” The course focuses on consumer theory, production, costs analysis, firm behavior by teaching quantitative tools of demand and supply and cost curves. Consumer behavior is modeled with the hypothesis of diminishing marginal utility. Industries are characterized with the hypothesis of diminishing marginal productivity which leads to increasing costs. Both the Law of Demand and the Law of Supply are used to solve problems and predict the economic environment.

d) “Differentiate among historical and contemporary perspectives about the world with a view to fashioning a humane and just world.” A basic premise of this course is that effective, coherent and humane analyses of economic policy issues involves familiarity with analytical models that can help individuals approach complex issues in a systematic and manageable way. Such familiarity and facility is the basis for the development of individual confidence in the analysis of public policy issues and is essential to active and effective participation in “fashioning a more humane and just world community”. Among the examples of such discussions are the topic of mercantilism and free international trade as it has evolved over the centuries and the equalization of prices and incomes across boundaries.

Skills (Quantitative and Qualitative Analysis and Research Methods):

This course is heavily dependent on linear and non-linear graphs and equations and comparative decision making. The course has no prerequisite and the students are taught to interpret and manipulate graphs in the very first chapter so that they have concepts of linearity/nonlinearity, slope, intercept, the first and the second derivative. The course heavily relies on analyzing situations and predictions by the use of graphs by students. There is also reliance on numerical solutions and simple equations for discovering general equilibrium. The specific competencies addressed are:

a) “Represent and interpret quantitative information symbolically, graphically, numerically, verbally, and in written form.” In the process of becoming familiar with the tools of
economic analysis and its applications to issues, students will be required to practice and develop their abilities to use graphical analysis, arithmetic computation, algebra, and interpretation of numerical information. The students are taught to reduce complex economic behavior of individuals and firms to reduced form equations (of two equations, two unknowns) and then to relate the equations to graphs to discover prices. They are also asked to numerically solve and to verbally describe the analysis. Using the formulas for elasticity, they are also asked to classify goods and to predict market behavior after an underlying price change.

b) “Recognize the limitations of mathematical and statistical models.” Real world economic behavior of individuals, firms and societies is more complex than the economic models that we teach. Students are made aware of the limitations of the deterministic and simplified modeling used in the class. These models are good for prediction of general directions for teaching purposes (more accurate models with better prediction are introduced in advanced classes)...

c) “Recognize theories that underlie qualitative research.” The theories discussed in the course and their empirical ‘testing’ through case stories are the highlights of almost all chapters in all the textbooks. In the process of becoming familiar with the tools of economic analysis and its applications to issues, students will be required to practice and develop their abilities to use graphical analysis, arithmetic computation, algebra, and interpretation of numerical information. In this course, a strong emphasis will be placed on developing the ability to critically analyze and evaluate various strategies for dealing with a variety of concrete economic policy problems. A key goal is that students will discover that the frameworks of economic analysis are not irrelevant abstractions but, rather, are powerful tools for understanding “real world” problems and approaches to solutions.