

**CAS EC101 (SA2)
Introductory Microeconomic Analysis**

**Boston University
Summer I, 2024**

INSTRUCTOR: **DR. HSUEH-LING HUYNH**
TEL: 1-617-353-6823 EMAIL: hlhuynh@bu.edu

OFFICE HOURS: TU & W 12 NOON -1:30 PM RM.309, 270 BAY STATE RD.
*Office hours on Tuesdays are also accessible online.
Web link will be provided on the course website.*

LECTURES: TU, W, TH 2- 4:30 PM CAS B36
DISCUSSIONS: TH 1-2 PM CAS B06B
(Discussion sessions are conducted by the Teaching Fellow.)

TEXT: Karl E. Case, Ray C. Fair and Sharon M. Oster,
Principles of Microeconomics (13th edition), Pearson 2020

GRADE: Exam 1 [25%] + Exam 2 [25%] + Exam 3 [50%]
*** No make-up exams will be given. ***
(Coverage, format and logistics of the exams will be announced in class and on the course website.)

COURSE DESCRIPTION:

PEOPLE generally agree on what kind of social phenomena are related to economics: trade, taxation, rise and fall of stock markets, changes in prices and wages, growth in quantities and varieties of goods, wealth and poverty of individuals and of nations, ... But how and why these phenomena occur are not always easy to explain, and when people are faced with issues that affect their economic lives – whether it is a personal decision or a public policy – controversy often arises.

Economic analysis tries to explain economic phenomena in a coherent way, by tracing them back to two basic elements: *economic decisions* and *economic institutions*. An economic decision-maker may be a person, a family, a firm, or a government acting on behalf of the public. To understand economics, we must first of all have a theory about how economic decisions are made. Secondly, we must identify the kinds of decisions that we have to make, and the effects of our decisions. These are defined by our natural environment and, equally significantly, also by the economic institutions under which we live and act.

The most prevalent economic institution is the *market*. There are markets for almost every kind of good, service, and asset. There are even markets for risks. Market is the setting in which most decisions regarding consumption, production, exchange, and investment are made. Much of this course is devoted to the understanding of markets: how markets are organized, how participants in a market behave, how allocation of resources is determined by the market, and its effect upon the welfare of the participants.

Government is also an important economic institution. It protects property rights, regulates competition, coordinates economic activities through monetary and other policies, levies taxes and provides public services. The economic role of government is an important lesson of micro-economics; combined with the understanding of the market, it gives us deep insights into the world in which we live.

As its title suggests, the nature of this course is analytic rather than factual. Although not much formal mathematics will be used, and our discussion is always illustrated by real-life examples, its objective is to help you cultivate clear, rigorous, logical thinking about economic issues. You must be ready to rise to this challenge.

COURSE SCHEDULE: See attached.

COURSE WEBSITE: <http://learn.bu.edu/> (BLACKBOARD)

ACADEMIC CONDUCT: It is the student's responsibility to read, understand and observe the *Academic Conduct Code* (<http://www.bu.edu/academics/resources/academic-conduct-code/>, also available from CAS Advising and Student Academic Life or the BU Summer Term Office). Cases of suspected misconduct will be referred to the Dean's Office. Furthermore, acts of plagiarism or cheating will be penalized with failing grades.

COURSE SCHEDULE Details of the schedule are subject to change; announcements will be made in class. Registered students can log into the course website at <http://learn.bu.edu/>. You should visit this website daily to check announcements, obtain class material and verify your personal grading record.

- ◆ LECTURE complements your reading and self-study. They are not substitutes.
- ◆ READING assignments refer to chapters in the Text. Additional reading may be suggested from time to time.
- ◆ HOMEWORK problems are specified as follows: “(6) 2.1” refers to problem number 2.1 in the Problems found at the end of Chapter 6 in the Text, “(6) 1A.2” refers to Problem 1A.2 in the Appendix to Chapter 6, etc. Only by solving problems can you master the course material effectively.
- ◆ SOLUTION to the homework problems and exams will be posted on the course website. But you will not benefit from the solutions unless you have worked seriously on the problems.
- ◆ An EXAM will test your comprehensive understanding of the course material up to the time of the exam.

(!!) ATTENDANCE: This course is very intensive and each class in the summer session is almost equivalent to one week’s instruction during a regular semester. *Regular attendance is therefore essential.* Also, there will be *no make-up for missed exams.*

| DATE | LECTURE | READING | HOMEWORK |
|----------------------|---|------------------|--|
| Tu5/21 | Class Orientation, Introduction to Microeconomics Decision and Institution | Ch. 1 Ch. 2 | (1) 1A.1, 1A.2, 1A.3, 1A.4 (2) 1.3, 1.4, 1.8, 1.13, 1.14, 2.2 |
| W5/22 | Allocation, Efficiency & Equity Supply, Demand, Market Clearing Economic Allocations under the Market Institution | Ch. 3 Ch. 4 | (3) 3.2, 4.1, 5.1, 5.3, 5.4, 5.5, 5.7, 5.9 (4) 1.12, 2.1, 2.2, 3.1, 3.2, 3.4 |
| Th5/23 | Demand Curves and Demand Elasticities Consumption Decisions: Utility and Budget | Ch. 5 Ch. 6 | (5) 2.1, 2.3, 2.4, 2.6, 2.9, 2.10, 3.2, 4.3, 4.4 (6) 1.1, 1.3, 1.4 |
| Tu5/28 | Income and Substitution Effects Consumer Surplus | | (6) 2.1, 2.3, 2.4, 2.5, 2.6, 1A.2, 1A.4 (6) 3.3, 4.1 |
| W5/29 | Production Decisions: Profit and Cost Quantity: Inputs and Output | Ch. 7, 8, 9 | (7) 1.2, 1.3, 1.5, 1.7, 1.8, 3.1, 3.5 (7) 2.1, 2.2, 2.5, 2.6, 2.8, 1A.1, 1A.2, 1A.3 |
| Th5/30 | Technology: Capital vs. Labor | | (8) 1.4, 1.7, 1.8, 2.3, 2.5, 2.6, 2.7, 2.8 |
| Tu6/04 EXAM 1 | <i>Exam 1 covers course material through 5/30 occupies only the last hour of the class meeting.</i> | | |
| | Long Run vs. Short Run, Entry and Exit | Ch. 7, 8, 9 | (8) 2.9, 2.10, (9) 1.3, 1.4, 2.10, 3.4, 3.8 |
| W6/05 | Labor and Land Markets Capital Markets, Investment Decisions | Ch. 10 Ch. 11 | (10) 1.2, 1.3, 2.1, 2.4, 3.4, 4.1, 4.3, 5.2 (11) 1.1, 2.2, 2.5, 2.6, 3.1, 1A.1, 1A.4, 1A.10 |
| Th6/06 | Perfect Competition, General Equilibrium Market Imperfections | Ch. 12 | (12) 2.1, 2.2, 2.3, 2.5 (12) 2.8, 2.9, 2.10, 2.11, 3.2 |

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| DATE | LECTURE | READING | HOMEWORK |
|-----------------------------|---|----------------|---|
| Tu6/11 | Monopoly - causes | Ch. 13 | (13) 2.1, 2.2, 2.3, 2.4, 2.5, 2.6, 2.7, 2.9 |
| | Monopoly - pricing and output | | (13) 3.1 |
| W6/12 | Monopoly - social costs | Ch. 13 | (13) 4.1, 4.2 |
| | Monopoly - tax, regulation and deregulation | | (13) 5.1 |
| Th6/13 | Price Discrimination, Collusion and Merger | Ch. 13, 14, 15 | |
| | Oligopoly, Game Theory | Ch. 14 | (14) 1.1, 3.1, 3.2, 3.3, 3.4, 4.1 |
| Tu6/18 <u>EXAM 2</u> | <i>Exam 2 covers course material through 6/13 and occupies only the last hour of the class meeting.</i> | | |
| | Product Differentiation, Monopolistic Competition | Ch. 15 | (15) 2.1, 2.7, 3.1, 3.2 |
| W6/19 | <Holiday: No Class> | | |
| Th6/20 | International Trade and Comparative Advantage | Ch. 20 | (20) 2.1, 2.2, 2.3, 2.4, 3.1, 4.2, 4.3 |
| | Terms of Trade and Currency Exchange Rates | | |
| Tu6/25 | Economic Externalities - Public Goods, Pollution | Ch. 16 | (12) 3.4, 3.5, (16) 1.1, 1.4, 1.6 (16) 1.8, 1.9, 1.10, 2.1, 2.3, 2.4 |
| W6/26 | Insurance Market - Adverse Selection | Ch. 17 | (17) 1.1, 1.2, 2.1, 2.6, 2.7 |
| | Insurance Market - Moral Hazard | | (17) 3.4, 3.5 |
| | OR | | |
| | Income Distribution | Ch. 18 | (18) 2.1, 2.2, 2.3 |
| | Public Finance, Taxation | Ch. 19 | (19) 1.1, 1.2, 1.3, 3.2, 3.3 |
| Th6/27 <u>EXAM 3</u> | <i>Exam 3 covers material from the whole course and occupies the full class meeting.</i> | | |