

**Economics 3550: Intermediate Microeconomics
Spring 2005**

3550-002	11:00-12:20 TR	Physics 116
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Office Hours:
T: 3:30-5:30, 6:30-7:30
W: 9:00-12:00
R: 3:30-4:30
and by appointment.

Required Texts:

Landsburg, Steven (2002). *Price Theory and Applications*, 6th ed. South-Western.
Hazlitt, Henry. (1993). *Economics in One Lesson*. Random House.
Other readings will be made available.

During a recent semester, a student in 3550 asked, "So is economics just common sense?" The answer is: No. Economics is a social science based on logic, not common sense. Economics would be easy if our common sense was based purely on logic. However, our lack of expertise and ability to recognize and incorporate all the important factors when evaluating a problem we are faced with can lead our common sense to the wrong answer. Understanding economics is important because it helps to fine tune our common sense so that we are better equipped to make decisions that help us reach our goals. For this same reason, economic reasoning and models can seem counterintuitive. Although logical, economic models and their conclusions are not obvious. It has taken economists hundreds of years to create and refine the models we now use to understand and predict human behavior. Only by studying and working with these economic models and ideas can you begin to internalize these models into your own thinking. Being able to do this is essential if you are an economics or business major, but it is also important to anyone who might need to think critically to solve any number of problems they may be faced with.

"Economics is both a way of thinking and a body of worked-out ideas applying that way of thinking to the world." –David Friedman

The “economic way of thinking” is all about understanding how people make choices and the consequences of those choices. Since any choice necessarily involves allocating scarce resources, this definition is not too far removed from the classic definition of economics: *The study of how scarce resources are allocated between various and*

competing ends. The goal of this course is not only to enable you to understand and use the basic economic tools (some of the “worked-out ideas”) that you will need to successfully continue your economics studies, but also to teach you to think more like an economist. Some of the models or examples used to illustrate the models will seem unrealistic, irrelevant or just plain silly. That's ok. The goal is not always to understand the effects of one specific situation, but to learn how to use economics to analyze different situations you may come across in the future. Some of these economic tools require the use of some algebra and a tiny amount of calculus (which I will teach you if you do not already know it).

Economics cannot be learned or understood by reading the text and listening to lectures alone. You must become an active participant in the learning process. The homework is designed to help you work through the material in a more active way. Since I cannot assign 20 homework assignments, it is up to you to work through most of the material on your own (and/or with classmates) to help you figure out how the models work and what you do or do not understand. Since this type of studying is not required to succeed in many classes, please come see me if you need guidance in how best to study for this course. **Please be aware, if you are not prepared to spend 6-8 hours per week studying this material (not including class time), do not expect to do well in the class.**

Grades: Final course grades will be calculated from your grades on exams and homework according to the following table.

Grades	
Homework	15%
Mid-Term Exam #1	25%
Mid-Term Exam #2	25%
Final Exam	35%

All readings are fair game for the exams. The purpose of the lectures is to augment your studying of the readings. My lectures are designed to help you understand the most difficult material in the readings and will be much more useful if you have already begun working through the material. I will expect that you will have read each chapter before I lecture on the material.

Cheating and Plagiarism: Individuals caught cheating should be prepared for the consequences. The minimum penalty will be to receive an 'F' for the course. Further action may be taken as deemed appropriate by the Chair of the Department. Basically, cheating and plagiarism involves providing or receiving unauthorized help on homework, quizzes or exams.

Absences: Students missing an hourly exam must have a university-excused absence to make-up the exam -- all others will receive a zero. (Tip: If sick, go to the doctor and get a note.)

Tentative Course Schedule (subject to change).		
Week	Topic	Readings
1 1/18	Intro/Rationality/Economic Way of Thinking/Supply and Demand	Landsburg, Ch. 1 Hazlitt, Ch. 1, 2, 3 Armchair, Ch. 1, 2
2 1/25	Supply and Demand	Landsburg, Ch. 1
3 2/1	Relative Prices Consumer Choice	Landsburg, Ch. 2, p. 33-37), Ch. 3
4 2/8	Consumer Choice (cont.)	Landsburg, Ch. 3
5 2/15	Consumer Choice (cont.) Individual and Market Demand	Landsburg, Ch. 3 Ch. 4, pages 81-95
6 2/22	Exam I (Tuesday, 2-22)** Individual and Market Demand (cont.)	Landsburg, Ch. 4, pages 96-110
7 3/1	Firm Behavior	Landsburg, Ch. 5
8 3/8	Production and Cost – SR	Landsburg, Ch 6, 7
9 3/15	Spring Break	
9 § 3/22	Production and Cost – LR Competition -- SR	Landsburg, Ch. 7 Hazlitt, Ch. 15, 22
10 3/29	Competition -- SR (cont.)	Landsburg, Ch. 7 Hazlitt, Ch. 11, 14, 17
11 4/5	Exam II (Tuesday, 4-5) Competition – LR	Landsburg, Ch. 7
12 4/12	Competition – LR (cont.)	Landsburg, Ch. 7 Armchair, Ch. 6, 14.
13 4/19	Gains from Trade – Economic Surplus	Landsburg, Ch. 8 (pp. 237-276) Hazlitt, Ch. 7, 8, 9
14 4/26	Monopoly	Landsburg, Ch. 10
15 5/3	External Costs and Benefits Common Property and Public Goods	Landsburg, Ch. 13, 14
16 5/10	Final Exam: Tuesday, May 10, (10:30am-2:30pm)	See above ↑.

§ **Last day to drop with consent of instructor: Tuesday, March 29 @5:00pm (there are signed drop slips on file in the economics department office).**