



## University of International Business and Economics International Summer School

### ECON 104 Microeconomics

**Term: July 10 – August 4, 2017**

**Instructor: Kevin H. Zhang**

**Home Institution: Illinois State University**

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**Class Hours: Monday through Friday, 120 minutes each day (2,400 minutes in total)**

**Office Hours:**

**Teaching Assistant: TBD**

**Email: TBD**

**Discussion session: 2 hours each week**

**Total Contact Hours: 64 contact hours (45 minutes each, 48 hours in total)**

**Credit: 4 units**

### Course Description

Economics introduce you to the "economic way of thinking". The central fact that underlines economics is the fact of "scarcity". By this it is meant that our wants exceed the goods freely available from nature - hence choices must be made among the many things we want. This leads to the fundamental economic questions, which face all societies: *What* to produce? *How* to produce? and *For Whom* to produce? But economics is much broader in scope than this; it is the study of wise decision-making in all areas of life. Microeconomics focuses on individual behavior, addressing the way in which individual firms and consumers make their production and consumption decisions. Macroeconomics focuses on the economy as a whole and determinants of such key macroeconomic variables as economic growth, unemployment, and inflation.

### Course Goals

**When you have completed this course, you should be able to do following:**

- ✧ Apply basic macroeconomic concepts to your daily life as well as specific situations;
- ✧ Identify basic macroeconomic concepts used in daily newspapers, magazines, and TV programs;
- ✧ Interpret economic data, e.g., data on prices and quantities of specific goods and services, GDP, unemployment, and inflation;
- ✧ Critically evaluate the claims of politicians and other policymakers regarding the welfare effects of their proposals.

### Required Text

N. Gregory Mankiw, *Principles of Economics*, 7<sup>th</sup> or 6<sup>th</sup> Edition, South-Western Cengage Learning, USA, 2015 or 2012.



## Attendance

One thing you can promote your performance in this course is to attend every class, because the materials in this course are challenging and much of them build on previous lectures. You will sign on an attendance sheet in each class, and will receive 40 points for full attendance. You would lose 3 points if you miss one class without excuse.

## Grading Policy

Your grades are based on a total of 300 points, which are acquired as follows:

4 Exams	= 200 points total, 50 points for each
4 Homework Sets	= 100 points total, 25 points for each
Attendance	= 40 points, 3 points are taken off if missing one class
<b>Total</b>	<b>= 340</b>

- ❖ **Exams:** Two exams are non-comprehensive and each exam consists of 25 multiple-choice questions. Please note that NO MAKE-UP EXAMS WILL BE GIVEN.
- ❖ **Homework:** Two homework sets are distributed during the course in order to give you practice working with the concepts introduced in the class and also to prepare you for the exams. Homework serves as a sample exam in the sense that their questions are similar to those of exams in topics, difficulty degree, and number of questions. The failure to try all questions is viewed as an indication of lack of effort, besides costing you the points you could have earned on the homework.

Some specific policies are as follows:

- ❖ If you miss an exam without an excused absence, you will receive a zero on it. No make-up exams are given.
- ❖ If an illness or some emergency prevents you from attending class, or taking one of exams, please try to discuss this with me **before** the class and the exam. Documentation (notification from doctor, for instance) *may be* required. If you don't contact me until after the exam, documentation *will be* required. If you are excused from one exam, then the score for the missing exam is average of other three exam scores. Similar policy applies for homework. You also will not lose 4 points for attendance if you contact me before the class.
- ❖ **Late homework will not be accepted** because the answer key is distributed on the due day.
- ❖ Anyone caught cheating on any exam or quiz will receive an "F" in the class and will have their case referred to the Student Judicial Office for additional disciplinary action.

## Grading Scale

Grades are based completely on the work listed above. NO extra credit work is given under any circumstances. The scale for semester grades is as follows:

- A 90-100
- A- 85-89
- B+ 82-84
- B 78-81
- B- 75-77
- C+ 72-74
- C 68-71
- C- 64-67
- D 60-63
- F below 60



## Course Hours

The course has 20 class sessions in total. Each class session is 120 minutes in length for a total of 2,400 minutes of class time. The course meets from Monday to Friday.

## Class Rules

Many students perceive economics as being a very difficult, if not impossible, course to master. However, this perception is, in all likelihood, based on observations of the experiences of other students who did not apply the proper approach to learning economics. In many courses, simple memorization is enough. This is not the case in economics. In this course you will need to understand the meaning of basic terms and concepts, but you will also be required to demonstrate the ability to apply economic concepts in specific situations. In other words, you will be required to demonstrate the ability to think like an economist!

I recommend the following approach to studying and learning economics.

- ✧ Read over the material we will be covering in class before each session. The idea is not to master the material being covered but simply to familiarize you with the concepts to be covered in class. In addition, start working on the questions in the study guide that your group will be working on during the next class session.
- ✧ Attend each class, take good notes, and assume an active role within your group.
- ✧ After class, read the text again, study your notes and continue working in the study guide.
- ✧ Form a study group that meets outside of class on a regular basis to go over the material, work on homework, and go over problems in the study guides.
- ✧ See me if you feel lost. Don't wait as thing will only get worse! You (and the taxpayers of Illinois) are paying me to teach this course, so take advantage of my services. If you can't make office hours, see me after class or call/email me, and we will set up a mutually convenient time.

## Course Topics and Schedule

### 1. Introduction (Chapters 1-3)

- ✧ Ten principles of economics
- ✧ The circular-flow diagram and production possibilities frontier (PPF)
- ✧ Absolute advantages, comparative advantages, Specialization and trade

### 2. How Markets Work (Chapters 4-6)

- ✧ Demand schedule, demand curve, and determinants of individual demand
- ✧ Supply schedule, supply curve, and determinants of individual supply
- ✧ The "shift" vs. "movement along" confusion clarified
- ✧ Equilibrium price, output and the market-clearing process
- ✧ The elasticity of demand and supply
- ✧ Price ceiling and price floors
- ✧ Taxes and tax incidence

### 3. Markets and Welfare (Chapters 7-9)

- ✧ Consumer surpluses and producer surpluses
- ✧ Market efficiency
- ✧ Welfare effects of taxation
- ✧ Gains from trade

### 4. Firm Behavior and the Organization of Industry (Chapters 13-17)

- ✧ The production function, marginal products, and the law of diminishing returns

- ✧ The cost function (fixed, variable, and marginal costs)
- ✧ Explicit vs. implicit costs, economic profit vs. Accounting profit
- ✧ Time periods: short-run (SR) vs. long-run (LR)
- ✧ Perfect competition: profits, losses, and shut-down
- ✧ Conditions for profit-maximization, for shutdown, and for exit
- ✧ Competitive firms' and market's SR supply curves vs. LR supply curves
- ✧ Monopoly and its welfare effects
- ✧ Oligopoly and Monopolistic Competition

**5. Advanced Topic: The Consumer Theory (Chapter 21)**

- ✧ Budget constraint: income
- ✧ Preferences: tastes
- ✧ Optimization of consumer choices: maximizing utility