

Intermediate Microeconomics

INSTRUCTOR: Peter Jacobsen

ECON 306-001

OFFICE LOCATION: James Buchanan Hall D121

Spring 2019

EMAIL ADDRESS: pjacobs6@gmu.edu

BUCHANAN Hall D001

OFFICE HOURS: Wednesday, 10:00 AM to 11:30 AM, or by appointment

M&W:3:00-4:15PM

1. COURSE DESCRIPTION

Since at the least days of Adam Smith, author of *An Inquiry into the Nature and Causes of the Wealth of Nation*, known today simply as *The Wealth of Nations*, the study of economics has focused on how individuals, engaged in achieving their diverse and often incompatible individual goals and objectives through interaction with other individuals, have generated social phenomena which none of the individuals had intended.

The fundamental building block of this inquiry is the *social science* known today as microeconomics, also known as price theory. In order to understand the world around us and the social phenomena that emerge from individual action, microeconomic theory focuses on how individuals choose, exchange behavior among interacting individuals, and the “rules of the game” (i.e. institutions) within which choice and exchange takes place. These institutions that coordinate voluntary exchange and individual choice include private property and money prices to facilitate exchange and mutual coordination of individual goals and interests.

Since the publication *The General Theory of Employment, Interest, and Money* by John Maynard Keynes, what is known today as “macroeconomics” is generally studied and taught separately from “microeconomics,” both at the graduate and undergraduate level. However, microeconomic theory provides the main foundation for all other economic theory that you will learn, both in macroeconomics as well as other elective courses (even those electives outside of economics!). The study of business cycles, inflation, unemployment, and money, which are usually taught as part of macroeconomic courses, are all social phenomena that emerge from the “microfoundations” of individual choice within a particular set of rules and prices, which guide production and exchange.

This course will work to develop a set of tools, known as “the economic way of thinking,” for analyzing a variety of economic phenomena and examining the implications of policy decisions. In addition, this course focuses on developing these skills to prepare the student for advanced economics courses.

2. PREREQUISITES AND EXPECTATIONS

I expect that you have successfully completed the following prerequisites for this course: ECON 103 and ECON 104. I assume that you have a basic understanding of macro and microeconomic principles, basic algebra, and elementary calculus. If you need to review these topics, I recommend that you use Marginal Revolution University and Khan Academy.

I also expect that you will treat your fellow classmates with respect, even if you disagree with them; reasonable minds can differ on any number of perspectives, opinions, and conclusions. Constructive disagreement sharpens our thinking and deepens our understanding; therefore, it is not only encouraged, but expected. All viewpoints are welcome in my class; however, no ideas are immune from scrutiny and debate.

Regular attendance is essential to successfully completing this course. As such, I expect you to attend all of the lectures. If you need to miss a class, it is your responsibility to obtain all lecture notes and assignments from one of your classmates.

3. READING MATERIALS

Alchian, Armen A., and William R. Allen. 2018. *Universal Economics*. Liberty Fund, Inc. <https://oll.libertyfund.org/titles/universal-economics>

The above link has the full textbook online. I recommend purchasing the book to make reading easier, but the digital version will work fine.

In addition to this book, I will also be assigning journal articles throughout the semester that are relevant to the topics that we are discussing. I will also assign pieces from sources such as the Concise Encyclopedia of Economics, which is available at econlib.org. The list of articles is in section 5. Please email me if you have any difficulty finding materials.

4. EVALUATION AND GRADING

Your grade in this course consists of daily quizzes, four problem sets, and two exams. They are weighted as follows:

Weekly Quizzes	20%	
Problem Sets	15%	
Midterm Exam	30%	Thursday, March 4
Final Exam	35%	Thursday, May 11, 1:30 pm – 4:15 pm

The weekly quizzes will take place every Monday at the beginning of class and will be based on both the assigned readings for that week and the lectures from the previous week. Consequently, attending class and completing the assigned readings will be essential to successfully completing this course. I will drop your lowest quiz grade to allow for any unexpected events that prevent you from attending class. There will not be any make-up quizzes – no exceptions.

Problem sets are intended reflect the types of questions that will be on the exams. Late assignments will not be accepted—**no exceptions**. Assignments must be turned in in class

In accordance with University policy, if you have three or more exams on the date of the final examination, you may reschedule it. To do so, you must contact me no less than one week prior to the final examination. There will not be any make-up exams – no exceptions.

Grades will be assigned according to the following scale:

A+	100-97
A	96-94
A -	93-90
B+	89-87
B	86-84
B -	83-80
C+	79-77
C	76-74
C -	73-70
D	69-60
F	< 60

5. COURSE SCHEDULE OF LECTURES, EXAMS, AND ASSIGNMENTS

DATE(S)	TOPIC	READING
Week 1 Jan 22	Introduction into the Economic Way of Thinking; The Logic of Choice, Exchange, and Institutional Analysis; Market Process vs. Market Equilibrium	Alchian & Allen, Ch 1-2 Hayek, “The Use of Knowledge in Society” Alchian, “Property Rights”
Week 2 Jan 27 Jan 29	Cost and Choice & Cost vs. Prices	Alchian & Allen, Ch 3 (Including Appendix) Ch10
Week 3 Feb 3 Feb 5	Review of Supply and Demand Distribution of Homework Problem Set #1	Alchian and Allen, Ch 5-Ch9
Week 4 Feb 10 Feb 12	Additional Applications of Supply and Demand Analysis	Alchian and Allen, Ch 11-Ch12
Week 5 Feb 17 Feb 19	Specialization and Exchange	Alchian and Allen, Ch 14-Ch15

Week 6 Feb 24 Feb 26	Market Supply and Price Collection of Homework Problem Set #1	Alchian and Allen, Ch 16-Ch18
Week 7 Mar 2 Mar 4	Transaction Costs and Introduction into the Theory of the Firm <u>MIDTERM</u> March 4	
Week 8 Mar 9 Mar 11	SPRING BREAK NO CLASS	
Week 9 Mar 16 Mar 18	Price-searchers Distribution of Homework Problem Set #2	Alchian and Allen Ch 19-20 <u>Hayek</u> , "The Meaning of Competition"
Week 10 Mar 23 Mar 25	Property Rights and Profit Seeking The Structure of the Firm	Alchian and Allen Ch 22-25
Week 11 Mar 30 Apr 1	Ownership of the firm Demand for Factor Services	Alchian and Allen Ch 28-29
Week 12 Apr 6 Apr 8	Economics of Time Collection of Homework Problem Set #2 Distribution of Homework Problem Set #3	Alchian and Allen Ch 30-33
Week 13 Apr 13(No Class) Apr 15	Economic Development	Boettke, Coyne, Sautet (2004). Clemens (2009) Easterly (2005) Leeson (2008)
Week 14 Apr 20 Apr 22	Economics of Politics	Coyne (2007) Shughart (2008) Weingast & Marshall(1988)
Week 15 Apr 27 Apr 29	TBD Collection of Homework Problem Set #3	
Week 16 May 4	TBD Exam Review	
May. 11	Final Exam 1:30pm – 4:15pm HW Problem Set #3 Due See http://registrar.gmu.edu/calendars/spring-2016/final-exams/	

The March 4th Midterm and the University-determined Final Exam time are set in stone. I reserve the right to change the schedule and readings as needed with the exception of the exam times/dates.

Articles:

Boettke, Peter J., Christopher J. Coyne, Peter T. Leeson and Frederic Sautet. 2005. "The New Comparative Political Economy," *The Review of Austrian Economics* 18(3/4): 281-304.
http://www.ccoyne.com/New_Comparative_-_Final.pdf

Clemens, Michael. 2009. "The Biggest Idea in Development that No One Really Tried," *The Annual Proceedings of the Wealth and Well-Being of Nations, II*: 26-49.
<https://www.beloit.edu/upton/assets/Clemens.pgs.pdf>

Coyne, Christopher J. 2008. "The Politics of Bureaucracy and the failure of post-war reconstruction," *Public Choice* 135(1/2):11-22
<https://link.springer.com/article/10.1007/s11127-007-9243-0>

Easterly, Williams. 2005. "The Utopian Nightmare," *Foreign Policy*, August 30.
http://www.foreignpolicy.com/articles/2005/08/30/the_utopian_nightmare?page=0,0

Hayek, F.A. 1945. "The Use of Knowledge and Society," *American Economic Review*
<https://www.econlib.org/library/Essays/hykKnw.html>

Leeson, Peter T. 2008. "Escaping Poverty: Foreign Aid, Private Property, and Economic Development," *Journal of Private Enterprise* 23(2): 39-64.
http://www.peterleeson.com/escaping_poverty.pdf

Shughart, William II. "Public Choice"
<https://www.econlib.org/library/Enc/PublicChoice.html>

Weingast, Barry R., William J. Marshall. 1988. "The Industrial Organization of Congress; or, Why Legislatures, Like Firms, Are Not Organized as Markets."
https://www.jstor.org/stable/1830714?seq=1#metadata_info_tab_contents

6. ADDITIONAL INFORMATION

Important University Dates:

Last day to add classes: January 28

Last day to drop with no tuition penalty: February 5

Last day to drop (50% Refund): February 11

Student Self-Withdrawal Period: February 25-March 30

Technology Policy:

Cell phones, pagers, and other communicative devices are not allowed in this class. Please keep them stowed away and out of sight. Laptops or tablets (e.g., iPads) may be permitted for the purpose of taking notes only, but you must submit a request in writing to do so. Engaging in activities not related to the course (e.g., gaming, email, chat, etc.) will result in a significant deduction in your participation grade.

Mason Honor Code:

Mason is an Honor Code university; please see the Office for Academic Integrity for a full description of the code and the honor committee process. The principle of academic integrity is taken very seriously and violations are treated gravely. What does academic integrity mean in this course? Essentially this: when you are responsible for a task, you will perform that task. When you rely on someone else's work in an aspect of the performance of that task, you will give full credit in the proper, accepted form. Another aspect of academic integrity is the free play of ideas. Vigorous discussion and debate are encouraged in this course, with the firm expectation that all aspects of the class will be conducted with civility and respect for differing ideas, perspectives, and traditions. When in doubt (of any kind) please ask for guidance and clarification.

Disability Services:

Disability Services at George Mason University is committed to providing equitable access to learning opportunities for all students by upholding the laws that ensure equal treatment of people with disabilities. If you are seeking accommodations for this class, please first visit <http://ds.gmu.edu/> for detailed information about the Disability Services registration process. Then please discuss your approved accommodations with me. Disability Services is located in Student Union Building I (SUB I), Suite 2500. Email:ods@gmu.edu | Phone: (703) 993-2474

Privacy:

Students must use their MasonLive email account to receive important University information, including communications related to this class. I will not respond to messages sent from or send messages to a non-Mason email address.