

Approved 4-17-07  
Senate - Info. 4-17-07

06-56

## Undergraduate Distance Education Review Form

(Required for all courses taught by distance education for more than one-third of teaching contact hours.)

### Existing and Special Topics Course

Course: ECON 122 Principles of Microeconomics

Instructor(s) of Record: Nicholas Karatjas

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Received  
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Liberal Studies  
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### Step One: Proposer

A. Provide a brief narrative rationale for each of the items, A1- A5.

1. How is/are the instructor(s) qualified in the distance education delivery method as well as the discipline?

I am a qualified instructor. I have used WebCT software previously in some of my classes. When I used WebCT, I used tools for grading, discussions, internet resources, readings, syllabi, and assignments. My students and I have had no significant problems using WebCT. I would also take advantage of the support offered by the Instructional Design staff if I had any questions/problems. In addition to using WebCT, I have evaluated other online software provided by various textbook publishers. I am currently using Aplia. On Aplia's web site it states: "For students, Aplia offers a way to stay on top of coursework with regularly scheduled homework assignments. Interactive tools and content further increase engagement and understanding." I have built my current ECON 122 Principles of Microeconomics classes around Aplia. A very close substitute (My Econ Lab) is produced by Pearson and will be used if one of their textbooks is selected.

2. How will each objective in the course be met using distance education technologies?

*Objective # 1* – To provide an understanding of how our mixed economic system works by looking at the behavior of households and business firms and government policies that affect their behavior.

*How Objective # 1 will be met* – Students will be assigned readings that relate to the way our mixed economic system works by looking at the individual, firm, and whole economy. The course is set up using a building block approach. Initially, students will be introduced to a general overview of economics and the market system. They will then proceed to study each of the market components in greater detail. Virtually every chapter will be supplemented by "Experiential Exercises." These exercises will direct students to web sites that provide examples as to how the market system works.

*Objective # 2* – To use and apply the tools of microeconomic analysis so that students may appreciate their usefulness in solving problems faced by consumers, producers, and policy makers.

*How Objective # 2 will be met* – An approach which examines basic economic concepts and the economic way of thinking for each topic will be employed. For example, early on, the production

possibilities model will be developed to analyze a variety of economic issues including scarcity, opportunity cost, unemployment, and economic growth. Related to this will be an examination of why nations trade and arguments for/against tariffs/quotas. This process will be used as each new concept is introduced. This process will help instill the fundamental concepts and principles so that students will be ready to apply them to various situations.

*Objective # 3* – To examine the functioning of the U.S. economy in order to gain insight into the economic, political, and social problems facing a post-industrial society. This is done through the development and use of analytical models.

*How Objective # 3 will be met* – Students will be assigned readings that relate to the functioning of the U.S. economy. Through the use of analytical models, students will learn to use models to gain an understanding of relationships that shed light on or help solve economic, political, and social problems. This will be reinforced through exercises that provide relevant examples.

*Objective # 4* – To lay the foundation for understanding the role of the economist in government, industry, and education.

*How Objective # 4 will be met* – Application of concepts and principles is at the heart of the economic way of thinking. Each chapter contains many applications designed to help students develop an orderly, systemic way of thinking through economic problems that are faced by economists in government, industry, and education. The readings contain many references to problems that economists attempt to solve.

*Objective # 5* – To provide a conceptual framework and a set of analytical tools and methods that can be applied to other social science, business, and professional studies.

*How Objective # 5 will be met* – As noted above, application of concepts and principles is at the heart of the economic way of thinking. Each chapter contains many applications designed to help students develop an orderly, systemic way of thinking through economic problems that can be applied to other social science, business, and professional studies. In addition, each chapter contains readings that will reinforce the application of concepts and theories.

The sample lesson that is attached provides an example of how a reading can be used to illustrate the basic theoretical model of demand and supply. The exercise requires students to read an article and answer a number of different types of questions. Please note that on the Aplia assignment, questions 2 and 4 use graphics that require students to drag a curve to indicate the correct answer. Question 3 is a numerical problem requiring students to compute the answer. Finally, there are discussion questions which will be graded on the basis of evidence of some critical thinking about topic and precision in stating arguments. These questions could also provide the basis for threaded discussions.

#### Course Objectives as listed on the syllabus

This course will provide the student with the foundation for better understanding how a market economy operates and help the student learn to think about economic problems. First is an examination of basic economic concepts and the economic way of thinking. The production possibilities model will be developed to analyze a variety of economic issues including scarcity, opportunity cost, unemployment, and economic growth. In addition, why nations trade and arguments for/against tariffs/quotas will be discussed. The basic institutions of the private market economy and mixed economy will be reviewed.

Next, the student will examine microeconomic principles with an emphasis on how product and resource markets determine prices and production, and allocate resources. The principles of profit maximization, as well as models of firm behavior, will be examined under conditions of pure and imperfect competition. Other topics discussed include market failure, the economic role of government, and government regulation.

All of the assignments produced by the student will be submitted through WebCT (or its equivalent). The assignments will be graded in a timely manner and the grades will then be released to each student. The Discussion tool and email will be used to communicate to the student any concerns the professor might have with the assignment. Likewise, the student can communicate concerns to the professor.

### Specific Activities

1. Foundations of Economics
  - A. The Nature of Economics
  - B. Making and Using Graphs
  - C. Scarcity and Choice
  - D. The Production Possibilities Model
  - E. Specialization and Comparative Advantage**Activities:** readings, problem-based exercises, tests
  
2. The Market System
  - A. Characteristics of a Market System
  - B. Forces of Demand and Supply
  - C. Applications
  - D. Efficiency in the Market
  - E. How Governments Influence the Market
  - F. Externalities and Public Goods**Activities:** readings, problem-based exercises, news exercise, tests
  
3. Price Elasticity of Demand and Supply  
Other Elasticity Measures  
**Activities:** readings, problem-based exercises, tests
  
4. Consumer Choice and Marginal Utility  
Indifference Curves  
**Activities:** readings, problem-based exercises, tests
  
5. Production and Cost  
**Activities:** readings, problem-based exercises, news exercise, tests
  
6. Market Structure
  - A. The Theory of the Firm: Perfect Competition
  - B. The Theory of the Firm Continued: Monopoly
  - C. The Theory of the Firm Concluded: Monopolistic Competition and Oligopoly**Activities:** readings, problem-based exercises, news exercise, tests
  
7. Government Regulation and Antitrust Law  
**Activities:** readings, problem-based exercises, news exercise, tests

8. Resource Markets  
Inequality, Income Distribution and Poverty  
Activities: readings, problem-based exercises, news exercise, tests

*Please note: The detailed topics list includes more topics than can be covered in a semester. This list will allow flexibility and if another instructor teaches the course he/she will be able to choose from the topic list and follow the course outline listed above.*

3. How will instructor-student and student-student, if applicable, interaction take place?

The course is intended to promote interaction between the student and instructor and among students, if possible. The course will use a variety of methods to foster this interaction.

Instructor-student interaction will be able to take place through the use of at least three different methods:

- A. email
- B. threaded discussion
- C. live, online office hours held throughout the week

In addition, if there are specific problems/issues that cannot be addressed/resolved using the above methods, telephone calls can be exchanged between the instructor and student(s).

Student-student interaction will be able to take place through the use of the following four methods:

- A. email
- B. threaded discussion
- C. chat rooms
- D. telephone calls if necessary

One example of the interaction will be through the use of articles posted on Aplia (or WebCT). Students will be asked to write their reactions and then respond to other students' comments. Another example is the use of problem sets. Students will be asked to complete practice and required problems and would be expected to interact with the instructor if they have any difficulties. Since economics is a way of thinking, development of critical thinking skills is essential. The writing examples given above will be used to evaluate how well they understand the information.

4. How will student achievement be evaluated?

Student achievement will be evaluated using three methods:

- A. practice and required problem sets graded by Aplia (These problem sets are coordinated to each chapter of reading in the textbook. In addition, there are readings for many of the chapters, with a set of objective questions.)
- B. objective exams graded by the instructor
- C. threaded discussions graded by the instructor

Assignments will be itemized on the Aplia website. Dates for their final completion will be listed (see copy of front page of my Aplia web site, which lists what is due, an area for announcements, the textbook chapters, and an area for additional materials). Assignments will be assessed promptly and grades will be returned to students immediately. Criteria for evaluation will be detailed on the syllabus. For example, for essays students will be evaluated on their ability to

critically analyze the problem, the degree to which the essay reflects an understanding of the material, and their ability to communicate effectively.

5. How will academic honesty for tests and assignments be addressed?

After reviewing various approaches to dealing with academic honesty, a number of strategies will be used. All tests will be timed for completion and have a closing date and ending time clearly noted on the website. The tests will be generated from a large test bank which will allow for randomized tests. Due dates for assignments will be used to keep students on track with the course work. As suggested in other distance education courses, the use of an "honor code" statement will be included to let students know they are responsible for proper conduct and integrity in all academic work. Students will also be made aware of what will happen if a violation occurs.

- B. Submit to the department or its curriculum committee the responses to items A1-A5, the current official syllabus of record, along with the instructor developed online version of the syllabus, and the sample lesson. This lesson should clearly demonstrate how the distance education instructional format adequately assists students to meet a course objective(s) using online or distance technology. It should relate to one concrete topic area indicated on the syllabus.







Welcome,  
Nicholas Karatjas!

03.15.07 si

Karatjas, Microeconomics, Spring 2007

Home

Assignments

Course Materials

**02.11.07** Because it seems that Aplia was down for a short time today I have moved the assignment due tonight at 11 p.m. to tomorrow at 11 a.m.

ALL ANNOUNCEMENTS >

[What's this?](#)

Due Next Week: 03.19.07 (WEEK 11)

**Tue, 03.20.07** Production and Cost in the Firm I  
11:00 PM  
Practice  
*Chapter 7*  
This problem set covers the theory behind production and cost curves. You will learn how to calculate and graph total, average, variable, fixed, and marginal cost. You will also learn the geometry behind various cost curves and how they differ based on a firm's technology and scale of production.

**Sat, 03.24.07** Production and Cost in the Firm II  
11:00 PM  
Graded  
*Chapter 7*  
This problem set covers the theory behind production and cost curves. You will learn how to calculate and graph total, average, variable, fixed, and marginal cost. You will also learn the geometry behind various cost curves and how they differ based on a firm's technology and scale of production.

**Sun, 03.25.07** Perfect Competition - Online Chapter  
11:00 PM  
*Chapter 8*  
Contains the complete online text for Chapter 8 of McEachern's Microeconomics: A Contemporary Introduction.

VIEW ALL ASSIGNMENTS >

[What's this?](#)

VIEW ALL COURSE MATERIALS >

Course Readings




**Microeconomics: A Contemporary Introduction**  
7th Edition  
By McEachern

HIDE COURSE READINGS ▾

Table of Contents

<b>Part 1</b>	Introduction to Economics
<u>Chapter 1</u>	The Art and Science of Economic Analysis
<u>Chapter 2</u>	Some Tools of Economic Analysis
<u>Chapter 3</u>	Economic Decision Makers
<u>Chapter 4</u>	Demand and Supply Analysis
<b>Part 2</b>	Introduction to the Market System
<u>Chapter 5</u>	Elasticity of Demand and Supply
<u>Chapter 6</u>	Consumer Choice and Demand
<u>Appendix</u>	Indifference Curves and Utility Maximization
<u>Chapter 7</u>	Production and Cost in the Firm
<b>Part 3</b>	Market Structure and Pricing
<u>Chapter 8</u>	Perfect Competition
<u>Chapter 9</u>	Monopoly
<u>Chapter 10</u>	Monopolistic Competition and Oligopoly
<b>Part 4</b>	Resource Markets
<u>Chapter 11</u>	Resource Markets
<u>Chapter 12</u>	Labor Markets and Labor Unions



 [Print this page.](#)


## Karatjas, Microeconomics, Spring 2007

### The Market (or Markets) for Music on the Internet

Survey evidence suggests that fewer people are sharing music files on the Internet. Does this represent a movement along a demand curve, a shift in a demand curve, or both?

**Professor Description:** Asks students to think about the definition of a market: all music downloads or illegal music downloads. Points to the implications for the units on the quantity axis in a graph of a demand curve. Shows how a change in the probability of punishment can raise the price in a market for an illegal activity. Also illustrates both a movement along the demand curve and a shift of a demand curve caused by a change in the price of a substitute good.

#### Scenario

By Paul Romer, Stanford University

The demand curve can be a very useful tool, but to unleash its full power, you need to think carefully about the variables you put on the axes of a demand graph.

For example, to understand this news report about a reduction in the number of downloads from peer-to-peer file sharing systems, what quantity and what price do you want to measure?

Technically, the decision about what quantity to measure amounts to a definition of the market. Do you want to study a single market in which the quantity is music downloads from the Internet, or two different markets -- one in which the quantity is legal downloads and another in which the quantity is illegal downloads?

The decision about what price to measure turns on a more subtle point. In some markets, the cost that someone incurs can take other forms besides a direct payment to a seller. This distinction between cost and direct payment is particularly important in markets for illegal goods or activities. The risk of punishment can be an important part of the cost of participating in such a market. If there are no direct payments to sellers, this risk may be the only cost.

#### ORIGINAL ARTICLE

[Music piracy fall linked to lawsuit threat](#)  
(Financial Times, January 05, 2004)



Read the original article, then click **Continue** to answer the problems.

#### Question 1

- The news article establishes two trends in music downloads via the Internet. First, the number of people using paid online music services, such as iTunes and the new version of Napster, has increased. Second, the number of people reporting that they have downloaded any music via the Internet has:
  - A. Remained about the same
  - B. Increased substantially
  - C. Decreased substantially

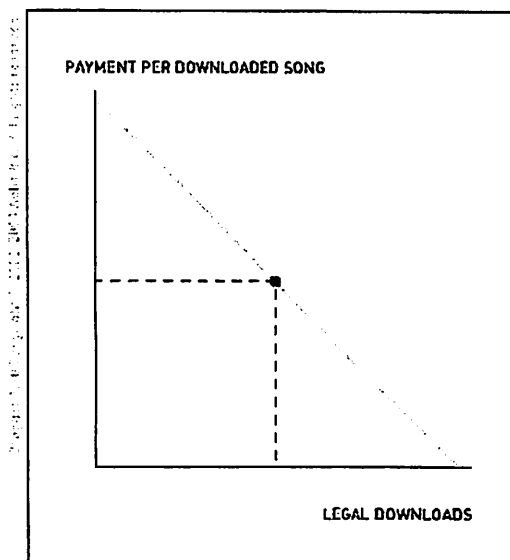
#### Question 2

2. Different factors can influence legal downloads of music from paid services and illegal downloads of music from peer-to-peer file sharing systems. This suggests that we treat these two types of downloads as different goods and consider one market for legal downloads and a separate market for illegal downloads.

Consider the changes in the market for legal downloads. In 2003, Apple introduced its iTunes service. Apple negotiated agreements with record companies that allowed downloads of single songs for less than \$1. Before the debut of iTunes, the cost per song for legal downloads was much higher.

Using the graph below, show the effect that Apple's new lower prices had on the market for legal downloads. (Notice that this graph depicts only the market for legal downloads. This distinction is important, because a very different set of changes took place in the market for illegal downloads.)

Tool tip: Click and drag the curve to indicate a shift, or click and drag the point to indicate a movement along the curve. The curve and point will snap into position, so if you try to move one of them and it snaps back to its original position, just try again and drag it a little farther. When you are satisfied with your answer, click the Submit Answer button.



**Question 3**

3. Now consider what has happened in the market for illegal downloads. As the article suggests, lawsuits brought by the Recording Industry Association of America (RIAA) seem to have raised the cost most users attribute to illegal downloads.

Before these lawsuits, many users assumed there was essentially no risk that they would be prosecuted for sharing music. After the RIAA brought hundreds of high-profile lawsuits against users and settled with several users for fines in the thousands of dollars, many users apparently decided there was a cost associated with the risk of a lawsuit.

Economists can measure this kind of cost as an "expected cost." The expected cost of engaging in an illegal activity equals the cost you pay if you are caught times the probability that you will be caught. For example, suppose 10,000,000 people share music files and the RIAA randomly sues 10 of these people. If you share music files, your probability of being sued is 1 in 1,000,000. Suppose that if you are sued, you will pay a \$10,000 fine. In this case, your expected cost of sharing files is \$10,000 times the probability of being sued, or \$10,000 times (1 divided by 1,000,000), which equals \$0.01.

Now suppose that the number of RIAA lawsuits increases to 10,000. What is the new expected cost of peer-to-peer file sharing?

\$ \_\_\_\_\_

Please enter a whole number, with no decimal point.

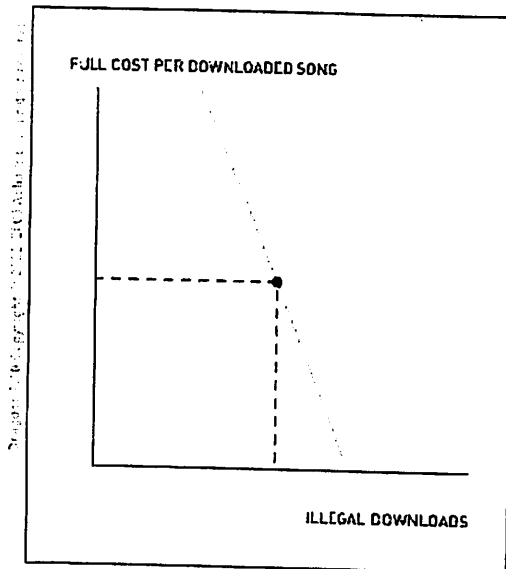
**Question 4**

4. The graph below depicts the market for illegal downloads. Adjust this graph to show the effect the RIAA lawsuits and the Apple iTunes service have had on demand for illegal downloads.

First, consider the effect of the RIAA lawsuits on the cost of illegal file sharing. (Note the labels on the two axes. Now you should see why it is important that the vertical axis measures the full cost of file sharing, not just some payment to a seller.)

Second, consider the effect of the price reduction for legal downloads on the market for illegal downloads. Illegal downloads and legal downloads are substitutes. Think about what effect a reduction in the price for a substitute good should have on the demand curve in the market under consideration.

Adjust the graph to show the effects of these two changes.



### Scenario

#### Discussion Questions:

1. Economists have more confidence in data showing what people actually do than in survey reports in which people describe what they do. What evidence is cited in this article showing that people are downloading music less frequently from peer-to-peer file sharing systems?
2. Based on the numbers reported here, would you say that the demand curve for illegal downloads is elastic? That is, does a given percentage change in the full cost of illegal downloads cause a greater percentage change in the quantity of illegal downloads? What other information would you like to have to answer this question?
3. Consider these two assertions and decide if each is a normative statement or a positive statement:
  - I) The RIAA should not be able to file lawsuits against individuals who share files.
  - II) If the RIAA successfully sues individuals who share files, fewer people will share files.

Due Date: 02.12.07, 11:00 PM 4/Graded Visible to Students

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**INDIANA UNIVERSITY OF PENNSYLVANIA**  
**Department of Economics**

**COURSE:** Distance Education: ECON 122 Principles of Microeconomics

**CATALOG COURSE DESCRIPTION:**

ECON 122 Principles of Microeconomics 3c-0l-3cr

Economics of the firm; theory of consumer demand; determination of price and output in different market structures; distribution of income; economic growth.

**COURSE OBJECTIVES:**

1. To provide an understanding of how our mixed economic system works by looking at the behavior of households and business firms and government policies that affect their behavior.
2. To use and apply the tools of microeconomic analysis so that students may appreciate their usefulness in solving problems faced by consumers, producers, and policy makers.
3. To examine the functioning of the U.S. economy in order to gain insight into the economic, political, and social problems facing a post-industrial society. This is done through the development and use of analytical models.
4. To lay the foundation for understanding the role of the economist in government, industry, and education.
5. To provide a conceptual framework and a set of analytical tools and methods that can be applied to other social science, business, and professional studies.

**TOPICS:**

This course will provide you with the foundation for better understanding how a market economy operates and help you learn to think about economic problems. First, we will examine basic economic concepts and the economic way of thinking. The production possibilities model will be developed to analyze a variety of economic issues including scarcity, opportunity cost, unemployment, and economic growth. We will also discuss why nations trade and arguments for/against tariffs/quotas. The basic institutions of the private market economy and mixed economy will be reviewed.

Second, we examine microeconomic principles with an emphasis on how product and resource markets determine prices and production, and allocate resources. The principle of profit maximization, as well as, models of firm behavior are examined under conditions of pure and imperfect competition. Other topics discussed include market failure, the economic role of government, and government regulation.

**INSTRUCTOR:** Dr. Nicholas Karatjas  
McElhaney Hall – Room 213F  
(724) 357-4855  
E-mail: karatjas@iup.edu

**TEXT:** *Microeconomics - A Contemporary Introduction* by William A. McEachern (South-Western 2006)

Other readings may be assigned.

**COURSE REQUIREMENTS:**

There will be three major exams: two during the semester and a non-comprehensive final. You are responsible for all assigned chapters. Examinations will be of the objective (multiple choice and true/false) type.

The overall course letter grade will be determined by the total number of points you have earned. The exams will be worth 60% of your grade. Weekly homework submitted online will count for 20% of your grade. If you answer 80% of the problems correctly, you will receive full credit for this portion of the course. The lowest homework score will be dropped. In addition, there will be a number of online threaded discussions based upon readings. These will be worth 20% of your grade. The composite



Inequality, income distribution and poverty  
*Chapters 11, 12, and 18 (selected sections)*

Government policy, market failure, and antitrust law  
*Chapters 16 and 17 (selected sections)*

*Other topics if time permits.*



Course Name: Karatjas, Microeconomics, Spring 2007

Start Date: 01/14/2007

Professor: Nicholas Karatjas

Course Key: J9BN-RYEF-2QMH

You can begin working on your homework as soon as you register!

- In this course, you will use a textbook and Aplia's website.
  - You will save money if you buy these together.
  - You have two purchase options.
  - You will have free access to the first four chapters of an online copy of your textbook at Aplia. You can access the remaining online chapters as soon as you submit a payment for your Aplia course.
  - Don't buy anything until you understand your alternatives.
- 

## Registration

### Registration Instructions

1. Connect to <http://www.aplia.com>.
2. Click the System Configuration Test link below the Sign In and Register sections to make sure you can access all of the features on Aplia's website. This takes just a few seconds and tells you how to update your browser settings if necessary.
3. Return to <http://www.aplia.com>.
  - If you have never used Aplia before, click the New Student button and enter your Course Key: J9BN-RYEF-2QMH. Continue following the instructions to complete your registration.
  - If you have used Aplia before, sign in with your usual e-mail address and password and enter your Course Key when prompted: J9BN-RYEF-2QMH. If you are not prompted for a new Course Key, click the Enter Course Key button to enroll in a new Aplia course. Enter your Course Key when you are prompted.
4. If you understand your payment options, pay now. Otherwise, postpone your purchase decision by choosing the option to pay later. Your payment grace period ends at the end of the day on 02/03/2007.

## Payment

### Option A: Pay Aplia Directly

- Purchase access to your course directly from Aplia on our website for \$60.00 USD. The website includes:
  - Access to an online copy of your textbook.
  - Content that has been customized for your textbook and course.
- However, if you try using the online textbook and decide you would also like a physical textbook, you can order one from Aplia for \$50.00 USD plus \$7.50 for shipping and handling.

### Option B: Purchase at Bookstore

- Purchase a bundle from your school's bookstore, which includes:
  - An Aplia Access Card containing a Payment Code that you can enter on Aplia's website as payment for your Aplia course.
  - A physical textbook.

Disclaimer: The instructor receives no monetary benefit from requiring Aplia assignments.



## DETAILED LIST OF TOPICS

### MICROECONOMICS

#### The Nature of Economics

- Discuss the difference between macroeconomics and microeconomics.
- Evaluate the role that rational self-interest plays in economic analysis.
- Explain the economic way of thinking.
- Explain what a model is and why models are best kept simple.
- Distinguish between positive and normative economics.
- *Application:* Altruistic behavior.

#### Using Graphs

- Why economists use graphs.
- Interpret graphs.
- Explain the difference between a direct and inverse relationship and how it is reflected graphically.

#### Scarcity and Trade-Offs

- Understand why economics considers individuals' "wants," but not their "needs."
- Explain why the scarcity problem induces people to consider opportunity costs.
- List the factors of production.
- Model a country's production possibilities.
- Define the different types of efficiency.
- Discuss why obtaining increasing increments of any particular good typically entails giving up more and more units of other goods.
- Explain why society faces a trade-off between consumption goods and capital goods.
- Describe specialization and distinguish between absolute and comparative advantage.
- Explain how individuals and countries can benefit from trade.
- *Application:* The North American Free Trade Agreement (NAFTA).

#### Demand and Supply

- Explain the law of demand.
- Discuss the difference between money prices and relative prices.
- Distinguish between changes in demand and changes in quantity demanded.
- Explain the law of supply.
- Distinguish between changes in supply and changes in quantity supplied.
- Understand how the interaction of the "demand for" and "supply of" a commodity determines the market price of the commodity and the equilibrium quantity of the commodity that is produced and consumed.
- *Application:* The market for gasoline.

#### Extensions of Demand and Supply Analysis

- Evaluate the effects of changes in demand and supply on the market price and equilibrium quantity.

- Understand the rationing function of prices.
- Explain the effects of price ceilings.
- Explain the effects of price floors.
- *Application:* The minimum wage and its impact on labor markets.

#### The Public Sector and Public Choice

- Explain how market failures, such as externalities, might justify economic functions of government.
- Distinguish between private goods and public goods and explain the nature of the free-rider problem.
- Describe the political functions of government that entail its involvement in the economy.
- Distinguish between average tax rates and marginal tax rates.
- Explain the structure of the U.S. income tax system.
- *Application:* The tragedy of the commons.

#### Consumer Choice

- Distinguish between total utility and marginal utility.
- Discuss why marginal utility at first rises but ultimately tends to decline as a person consumes more of a good or a service.
- Explain why an individual's optimal choice of how much to consume of each good and service entails equalizing the marginal utility per dollar spent across all goods and services.
- Describe the substitution effect of a price change on the quantity demanded of a good or service.
- Understand how the real-income effect of a price change affects the quantity demanded of a good or service.
- Evaluate why the price of diamonds is so much higher than the price of water even though people cannot survive long without water.

#### Demand and Supply Elasticity

- Explain and calculate price elasticity of demand.
- Understand the relationship between the price elasticity of demand and total revenues.
- Discuss the factors that influence the price elasticity of demand.
- Describe the cross-price elasticity of demand and how it may be used to indicate whether two goods are substitutes or complements.
- Explain the income elasticity of demand.
- Classify supply elasticities and explain how the length of time affects price elasticity of supply.

#### The Financial Environment of Business

- Distinguish among the legal forms of business and explain the chief advantages and disadvantages of each.
- Explain the difference between accounting profits and economic profits.

- Understand the role of profit.
- Discuss how the interest rate performs a key role in allocating resources.
- Calculate the discounted present value of a payment to be received at a future date.

#### The Firm: Cost and Output Determination

- Distinguish between explicit and implicit cost.
- Discuss the difference between the short-run and the long-run from the perspective of a firm.
- Understand the significance of the law of diminishing returns.
- Explain the short-run cost curves a typical firm faces.
- Describe the long-run cost curves a typical firm faces.
- Identify situations of economies and diseconomies of scale and define a firm's minimum efficient scale.

#### Perfect Competition

- Identify the characteristics of a perfectly competitive market structure.
- Discuss the process by which a perfectly competitive firm decides how much output to produce.
- Understand how the short-run supply curve for a perfectly competitive firm is determined.
- Explain how the equilibrium price is determined in a perfectly competitive market.
- Describe what factors induce firms to enter or exit a perfectly competitive industry.
- Distinguish among constant-, increasing-, and decreasing-cost industries based on the shape of the long-run industry supply.

#### Monopoly

- Identify situations that can give rise to a monopoly.
- Describe the demand and marginal revenue conditions a monopolist faces.
- Discuss how a monopolist determines how much output to produce and what price to charge.
- Evaluate the profits earned by a monopolist.
- Understand price discrimination.
- Explain the disadvantages of monopolies from society's perspective.

#### Monopolistic Competition

- Discuss the key characteristics of a monopolistically competitive industry.
- Contrast the output and pricing decisions of monopolistically competitive firms with those of perfectly competitive firms.
- Explain why brand names and advertising are important features of monopolistically competitive industries.

### Oligopoly and Strategic Behavior

- Outline the fundamental characteristics of an oligopoly.
- Describe theories of how firms may deter entry by potential rivals.
- *Application: Game Theory*

### Regulation and Antitrust Policy in a Globalized Economy

- Recognize practical difficulties in regulating the prices charged by natural monopolies.
- Explain the main rationales for regulation of industries that are not inherently monopolistic.
- Understand the foundations of antitrust laws and regulations.
- Discuss basic issues in enforcing antitrust laws.

### Labor Market: Demand, Supply, and Outsourcing

- Understand why a firm's marginal revenue product curve is its demand for labor curve.
- Explain why the demand for labor is a derived demand.
- Describe how equilibrium wage rates are determined for perfectly competitive firms.
- Explain what labor outsourcing is and how it is ultimately likely to affect U.S. workers' earnings and employment prospects.

### Unions and Labor Market Monopoly Power

- Outline the essential history of the American labor union movement.
- Discuss the current status of labor unions in the United States.
- Describe the basic economic goals and strategies of labor unions.
- Evaluate the potential effects of labor unions on wages and productivity.

### Income, Poverty, and Health Care

- Describe how to use a Lorenz curve to represent a nation's income distribution.
- Identify the key determinants of income differences across individuals.
- Discuss theories of desired income distribution.
- Distinguish among alternative approaches to measuring and addressing poverty.

## **Research Project**

### **Microeconomics**

The purpose of this research project is to integrate several concepts and relate them to the real world.

#### **Expected Learning Outcomes**

By the end of this project, you should be able to:

- Locate major sources of economic data, both in print and on the Internet.
- Gather specific types of information from economic archives.
- Summarize and present economic information in a coherent fashion.

#### **Project**

Find an article in a recent newspaper or magazine that illustrates a market structure other than perfect competition.

1. Is it an example of monopoly, monopolistic competition, or oligopoly?
2. Do you think the firms in the industry are earning an economic profit? Are new firms likely to enter this market?
3. Use the analysis developed previously to explain the situation. Use economic reasoning and show your analysis using a graph or other model, as appropriate.
4. Include a copy of the article along with your explanation. (Be sure to include the date and source of the article.)

## Two Examples of Internet Assignments

### Microeconomics

1. Visit the Web site that offers the on-line edition of the latest Economic Report of the President: <http://www.gpoaccess.gov/eop/download.html>. Using the data tables, look up annual federal government spending on national defense for the years 1990 to the present and compare it to spending on non-defense during those years. Carefully note the size of the year-to-year changes in each category of spending. Then write a short essay of approximately one page that discusses how the concept of opportunity cost relates to government choices between defense and non-defense spending.

### Macroeconomics

*The following example could be used for a variety of topics.*

2. Visit an Internet search engine such as Yahoo (located at

<http://www.yahoo.com>)

or Google (located at

<http://www.google.com>)

and perform a search for the following term: "hyperinflation". Find some articles and/or examples of some countries that have gone through hyperinflation. Look for some "stories" of the effects that hyperinflation had on those economies and everyday life in those societies.

Approved by  
LSC  
6-21-89

CHECKLIST — SOCIAL SCIENCES

Catalog Description:

EC 122 Principles of Economics II

Economics of the firm; introduction to the theory of consumer behavior demand; determination of price and output under different market structures; pricing in factor markets and the distribution of income; economic growth.

Objectives:

1. To provide an understanding of how our mixed economic system works by looking at the behavior of households and business firms and government policies that affect their behavior.
2. To teach students to use and apply the tools of microeconomic analysis so that they may appreciate their usefulness in solving problems faced by consumers, producers and policy makers.
3. To examine the functioning of the U.S. economy in order to gain insight into the economic, political, and social problems facing a post-industrial society. This is done through the development and use of analytical models.
4. To lay the foundation for understanding the role of the economist in government, industry, and education.
5. To provide a conceptual framework and a set of analytical tools and methods that can be applied to other social science, business, and professional studies.

Topics:

- I. Introductory/Background Material  
An explanation of the nature of modern economic systems, including American capitalism, the basic economic concepts and the basic tools of economic analysis, with emphasis on the use of graphical analysis. Topics include the problem of scarcity, resources, technology, production possibilities, and economic growth.
- II. Price Determination and Related Topics  
The development and use of the basic supply and demand model. Focuses on the process of price determination under competitive conditions and the factors that cause prices to change over time. Also covers relevant elasticity measures and the theory of consumer maximizing behavior.

### III. The Theory of the Firm

Explores the process whereby individual firms determine how much to produce and what price to charge for their products. Key objective is to understand how market structure, i.e., the way an industry is organized competitively, influences the conduct and performance of firms. Covers four basic market structures: perfect competition, pure monopoly, monopolistic competition and the oligopoly. Entails the development of relevant cost and revenue tools and application and use of the basic rule of profit maximization.

### IV. Factor Price Determination

Examines theoretical models designed to explain how factor prices, i.e., prices of basic economic resources, are determined in resource markets. Considers the influence of market forces (supply and demand) and institutional forces (labor unions, monetary authorities, government regulations, etc.) on the behavior of wage rates, interest rates, economic rent, and profit as well as their contribution to explaining persistent factor price differentials.

### V. Microeconomic Problems and Issues

Applies tools of microeconomic analyses to real world problems such as the poverty, externalities and environmental pollution, exploitation and discrimination, anticompetitive practices, the farm problem, etc., in order to demonstrate their usefulness in problem solving and policy making.

### Course Outline: Principles of Economics II EC122

1. Introduction to Economics.
2. The Economizing Problem.
3. Business Organization
4. Supply and Demand.
5. Consumer Behavior
6. Cost and Analysis
7. Market Structure and Output Determination
8. Limiting Market Power: Regulation of Industry & Antitrust Policy
9. Factor Markets—Labor
10. Poverty, Inequality, Discrimination
11. External Effects and Public Goods
12. Economic Growth and Problems of LDC's
13. Comparative Systems

### Evaluation Methods:

Instructors typically give three or four major exams (objective and/or essay). Some instructors also include quizzes and graded assignment in final grade determination. The final grade is a weighted average of the grade components.