**Course Description:**
This course is a first course in microeconomic analysis. While the material will be accessible to students with no economics background, we will cover some topics at the intermediate level. This course will develop a theoretical framework for analysis and apply this framework to real-world issues. We will examine the choices of both individuals and of firms in a variety of market environments. By the end of the course, students should (1) be familiar with the basic tools of microeconomic analysis, (2) have an understanding of their usefulness and limitations, and (3) have experience applying these tools to issues of public policy.

This course emphasizes the nature of decision-making by consumers, firms, and governments, and the effect of these decisions on the allocation of resources--land, labor and capital. A central issue is to establish the meaning of "efficiency" in resource allocation to establish a best-case scenario that can then be compared to a variety of policy options. We will investigate the conditions under which a market economy is able to secure an efficient allocation of society’s resources, and explore how the public sector has an important role to play in a market economy like that of the United States. We will study the ways in which private market failure exists, and the possible response of government to this failure.

A second basic issue is to understand how the income generated by the economy's use of resources is allocated among people--workers and capital owners; highly-skilled workers and unskilled workers; rich and poor. The questions here are ones of "equity," or inequality. The public sector also has a role in altering the nation’s income distribution.

A third objective is to assess the effectiveness of collective action--public policy--taken to improve economic efficiency and enhance equity. Having developed the analytical tools of microeconomics necessary to discuss efficiency and equity issues, we will apply them to a series of important contemporary public policy issues. Many of these issues involve public policy proposals, and our objective will be to understand how these proposals might affect the efficiency of the allocation of the nation's resources and equity or fairness in the distribution of income. The course can roughly be thought of as having three segments. In the first segment, we will deal with the basic principles of consumer decision-making and the concepts of efficiency and equity, after which there will be a midterm examination. In the second section, we will work on the economics of production, costs, and different forms of market structure. The third segment focuses on specific topics the tools of applied microeconomics can be used to analyze.
**Course Website:** The course website can be found on Learn@UW (https://learnuw.wisc.edu/). The website includes links to the course syllabus (this document) and the readings (course e-reserves). Weekly problem sets, answer keys, supplementary readings, and other important information will also be posted on the website over the course of the semester. The course website shows the list of “News,” where the instructor will post important course-related announcements. The TA and the instructor will also be communicating with you through e-mail class lists, and these e-mails will often direct you to the course website.

**Class Lecture Sessions:** The class will meet two times per week, on Monday and Wednesday. On Monday and Wednesday, the class will meet jointly from 11:00AM to 12:15PM; either Professor Fletcher or Professor Haveman will be conducting these sessions. All of the Monday and Wednesday sessions will involve formal presentations, but with questions and comments encouraged. This material will supplement the readings but will not be a substitute for them.

<table>
<thead>
<tr>
<th>Day</th>
<th>Time</th>
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<tbody>
<tr>
<td>Monday</td>
<td>Joint</td>
<td>11:00AM–12:15PM 1313 Sterling</td>
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<tr>
<td>Wednesday</td>
<td>Joint</td>
<td>11:00AM–12:15PM 1313 Sterling</td>
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**Discussion Sections:** There are three discussion sections, and each student is assigned to one of these discussion sections. The TA, Vedant Bhatnagar, will be responsible for the discussion sections.

| DIS 302  | 4:00–4:50 PM | 490 Van Hise Hall |
| DIS 303  | 5:05–5:55 PM | 495 Van Hise Hall |
| DIS 304  | 6:10–7:00 PM | 495 Van Hise Hall |

In the weekly discussion section, Vedant will go over the problem sets for the prior week, answer questions about the lectures during the previous week, and facilitate critical discussion of the course material. On some weeks, he will make a presentation on a topic that could not be covered in sufficient depth during the lectures. The separate discussion sections will be similar in format and content. Should conflicts arise during a particular week, students may substitute another discussion section for the one in which they are registered.

**Examinations and Grading:** There will be two midterm examinations and a final examination. The midterm examinations will be given during regularly scheduled class periods. The final examination will be given at the scheduled time during the final exam period or earlier (during the week of the university’s last class date). Each of the midterm exams will count for 25 percent of the course grade. The final exam will be comprehensive (i.e., cumulative), and will count for 40 percent of the course grade. Hence, the exams will count for a total of 90 percent of the final course grade. Your homework performance and participation in class and discussion section will account for the remainder (i.e., 10 percent) of the course grade.

**Weekly Homework / Problem Sets:** There will be a problem set posted on the class web site by the ‘close of business’ each Wednesday. Students will complete the problem sets and hand them in at the lecture on the following Monday. This will allow four days for completing the assignment. The problem set handed in on Monday will be discussed in the discussion sections that week. While students are encouraged to discuss homework assignments with each other, the work turned in must be the student’s own work. Your assignment must be turned in in class and late homework will not be accepted. The homework assignments will be ‘graded’ using simple check (✓), check-minus (✓–), and check-plus (✓+) grades.
**Strong Recommendation:** In the past, students have found it very helpful to form ‘study groups’ to work through these problems. The instructor can assist you in forming these groups.

**Class Participation:** Regular attendance at the two weekly lectures is essential to gain the full benefit from the course. Attendance at discussion sections is required. Questions and discussion in the lecture and discussion sections are an integral part of the course.

**Required Materials:**

1. The following book is a required textbook for the course:
   
   The 6th Edition is on reserve at the Social Science Library (8th floor)

2. In addition, you should subscribe to EconWeb, which is an on-line textbook. Problems, answers/applications website. The cost of signing up for the Intro Micro (economics) portion of web course is minimal. The registration website address is http://www.econweb.com/sub/iMicro.html. In addition, along with purchase of Perloff’s textbook, you obtain access to an on-line learning program entitled “My Econ Lab.” That program contains sample exams and other materials that you may find useful.

The reading assignments for each class meeting are shown on the attached class schedule (below). The readings are collected in folders at the Learn @UW class website.

**Related Readings:** Because we will be discussing many current issues and policies, students are expected to keep abreast of major developments in the economy as well as the emergence of new economic issues and policy proposals. The best way to follow these developments is by reading regularly *The New York Times*, *The Wall Street Journal*, or such business publications as *Business Week* and *The Economist*.


**Instructor Office Hours:**

Jason Fletcher  
Tuesday 1:45-3:30 PM  
Office: 4401 Social Science or by Appt

Vedant Bhatnagar  
Thursday 1:30-3:30 PM  
Office: 7230 Social Science

**Concerns about the Course:** If you have a concern about the course, please bring it to the attention of the instructor or TA. If you have a concern about the grade you receive on a homework assignment or an examination, first talk to your TA, Vedant Bhatnagar. If you believe you still have a legitimate concern that has not been addressed, please provide Professor Fletcher with a written explanation of your concern. The instructor will review the materials and will be in touch with you.
1. September 3:
   Introduction to the Course: The Economic Problem: Production Possibilities, Concept of Tradeoffs
   Landsburg, SE. “Do the Poor Deserve Life Support.” Slate 2006
   Barro: “Pleading the Case”.


   **Big Idea:** Opportunity Costs

2. September 8
   Marginal Analysis, Supply, Demand, and Market Equilibrium.
   Perloff, Chs. 1 & 2;
   Landsburg, SE. “Giving Your All.” Slate 1997

   **Big Idea:** Marginal Analysis, Sunk Costs

   Kahn: [https://www.khanacademy.org/economics-finance-domain/microeconomics/supply-demand-equilibrium](https://www.khanacademy.org/economics-finance-domain/microeconomics/supply-demand-equilibrium)

   Week 2 EconWeb Assignment:
   Work through EconWeb (Micro): Intro (all parts); Demand & Supply (all parts)

   Week 2 EconWeb Current Events Assignments:
   [Law School Applications Increase](#)
   [Cheap Flights to Europe](#)

3. September 10
   Shifts in Supply and Demand; Government Market Interventions (Quotas, Price Floors and Ceilings);
   Perloff, Ch. 3, pp. 43-56;
   Greg Mankiw, “A Veto Threat,”
   Hugh Rockoff, “Price Controls,”
   Slate, Legalized Prostitution


4. September 15
   the Shapes of the S and D curves; Elasticity; why it matters
   Perloff, Ch. 3, pp. 58-68
   Grim, R. “Who’s Got the Acid?” Slate, 2004

Kahn: https://www.khanacademy.org/economics-finance-domain/microeconomics/elasticity-tutorial

**Case Study:** Price Elasticity, Co-pays, and medical care

Week 3 EconWeb Assignment:
Work through EconWeb: and Elasticity (all parts)

Week 3 EconWeb Current Events Assignments:
Surf Inspired Fashions
Increasing Demand for Mansions
U.S. Energy
Drug Bust

5. September 17
   Concepts of Economic Surplus, Price Floor and Ceilings; Rent Control and Minimum Wages

   Perloff, Ch. 9, pp. 267-295
   “Is Santa a Deadweight Loss?” The Economist, 2001

   **Case Study:** Minimum Wages

6. September 22
   The Market and Welfare Effects of Sales/Unit Taxes and Subsidies
   Some Applications of Consumer Theory: In-kind Transfers, School Vouchers, Excise Subsidies, Paying for Trash; Evaluating government policies: Surpluses and Shortages

   Alcohol and Cigarette Taxes JEP article (recommended)
   Friedman, D. Hidden Order: The Economics of Everyday Life. Chapter 4: What would you give to get off a desert island? (skim)
   Friedman, D. Hidden Order: The Economics of Everyday Life. Chapter 7: Putting It Together (skim)

   Kahn: https://www.khanacademy.org/economics-finance-domain/microeconomics/consumer-producer-surplus

   **Big Idea:** Incidence
Week 4 EconWeb Assignment:
Work through EconWeb: Consumer Choice: Surplus, Taxation

Week 4 EconWeb Current Events Assignments:
French Food Taxes
Cigarette Tax Hikes

7. September 24
Externalities and Public goods

Perloff, Ch. 18;
Gruber, J. “The Economics of Tobacco Regulation.” Health Affairs, 2002 Vol 21(2).
Landsburg, S. “Property is Theft.” Slate 1997
Landsburg, SE. “No Parking Anytime.” Slate 2007

Kahn: https://www.khanacademy.org/economics-finance-domain/microeconomics/consumer-producer-surplus/externalities-topic/v/negative-externalities

Case Study: Soda Taxation

8. September 29
Cost-Benefit Analysis, Discounting, and Present Value;
Perloff, Ch. 16
“The Price of Prudence.” The Economist, 2004

Week 5 EconWeb Current Events Assignment:
U.S. Federal Minimum Wage May Increase

9. October 1
Cost-Benefit Analysis and Policy Issues

The Contingent Value Debate
Problems with Contingent Valuation (from dubious to hopeless)
NY Times: New Calculus of Smoking

Case Study: Value of a Statistical Life, BP Oil Spill, Contingent Value

10. October 6 (MIDTERM 1)

11. October 8
From Inputs to Outputs to Costs to Supply: the Short-run Supply Curve of a Firm
Perloff, Ch. 7, Ch. 8, pp. 237-253;
Week 7 EconWeb Assignment:
Work through EconWeb: Production Costs (all parts); and Perfect Competition (all parts).
[Note: The cost concepts/curves on which you should focus are marginal cost (MC) and average total cost (ATC). In going through Production Costs, parts 8 through 11 may be a bit confusing, but keep your eye on MC and ATC.]

Week 7 EconWeb Current Events Assignments:

12. October 13
Perfect Competition in the Short- and Long-run; the Process of 'General Equilibration'
Perloff, Ch. 8, pp. 220-236; and Ch. 9, pp. 262-266;
Chapter 10, sections 10.3 (Airline Regulation and Deregulation) and 10.4 (City Taxicab Markets), from Edgar Browning and Mark Zupan, Microeconomics: Theory and Application, Wiley, 2002, pp. 274-282.

Kahn: https://www.khanacademy.org/economics-finance-domain/microeconomics/perfect-competition-topic/perfect-competition

13. October 15
Monopoly
Perloff, Ch. 11 (through p 373)
Friedman, D. Hidden Order: The Economics of Everyday Life. Chapter 10: Monopoly for Fun and Profit
Becker, G. “Cracking the Genetic Code: Competition was the Catalyst.” Business Week, 2000

Kahn: https://www.khanacademy.org/economics-finance-domain/microeconomics/perfect-competition-topic/monopolies-tutorial

14. October 20
Natural Monopoly and Price Regulations. Price Discrimination, Oligopoly
Perloff, Ch. 13 (through p. 456, skim the rest)

Kahn: https://www.khanacademy.org/economics-finance-domain/microeconomics/perfect-competition-topic/monopolies-tutorial
Week 8 EconWeb Assignment:
Work through EconWeb: Monopoly (all parts); Industry Policy (all parts).

Week 8 EconWeb Current Events Assignments:
Heat Based Vending Machine Prices
College Texts cheaper outside US
Diamond Monopolist Changes Century Old Strategy
Microsoft Anti Trust Case

15. October 22

Game Theory/Strategy
Perloff, Ch 14. (through p 477, skim the rest if interested)
Friedman, D. Hidden Order: The Economics of Everyday Life. Chap 11, “Hard Problems: Game Theory, Strategic Behavior and Oligopoly”
“Pricking Consciences.” The Economist, 2007

Kahn: https://www.khanacademy.org/economics-finance-domain/microeconomics/nash-equilibrium-tutorial

16. October 27

Cartels, More Oligopoly

Case Study: NCAA

17. October 29

Risk and Expected Value

Perloff, Ch. 17
Fisman, R. “The Bad Economics of Switching Health Care Plans.” Slate

18. November 3

Adverse Selection, Moral Hazard, Lemons

Perloff, Ch. 19 (through p. 637), Ch. 20 (skim)
Kuttner, R. “How to Undermine an Ownership Society.” Business Week, 2004
Landsburg, SE. The Armchair Economist. Chapter 3: Truth or Consequences
https://www.youtube.com/watch?v=pmolioUkIXI

19. November 5
   Review, Finish Asymmetric Information

20. November 10  **(MIDTERM 2)**
   TOPICS: International Trade, Education, Environmental Policies, Labor Market Outcomes

21. November 12  **(Haveman Guest Lecture)**
   Policies toward Environmental Pollution: Emissions Charges and Tradable Permits
   Perloff, Ch. 18, pp. 605-622;

22. November 17
   International Trade in the Partial Equilibrium Framework: Gains from Trade, Welfare Effects of Tariffs, Quotas, and Import Controls, Two country welfare analysis
   Perloff, Ch. 9, (p. 295-end of chapter);
   The Doha Round...and Round...and Round,” *The Economist*, July 31, 2008.

   **Big Idea:**  Comparative Advantage


23. November 19  **(Haveman Guest Lecture)**
   Economics of Higher Education
   Perloff Chapter 19 (p 638-646)
24. November 24 (Haveman Guest Lecture)  
Economics of Higher Education—Payback Website

Big Idea: Signaling and Investments of Human Capital

**November 26: Cancelled**

25. December 1  
Discussion of the ACA

https://www.youtube.com/watch?v=AqHz2XcUGok

**Readings TBD**

26. December 3 (Haveman Guest Lecture)  
US Labor Market is a Mess  

27. December 8  
Inequality


28. December 10  
Applying Concepts to Policy Analysis


**FINAL EXAM:** TBD