Microeconomics

Course Text and Study Guide

- [This text (though not the study guide) is available as an etextbook at purchase or students may find used, new, or rental copies at this link]

Course Description

Microeconomics is the analysis of the manner in which markets resolve the problem posed by the reality of scarce resources. A model of efficiency is constructed and is analyzed through the topics of demand, supply, production, distribution, consumer choice, the behavior of the firm, and market structure. A consideration of market failures and the role of government in a market-driven society completes the analysis. Other topics include international trade and finance.

Course Objectives

After completing this course, students will be able to:
- Identify and apply relevant terminology and concepts to economic issues and problems.
- Compare and contrast the market system of economics with other systems.
- Analyze and synthesize the public and private sectors of the U.S. economy.
- Use demand and supply models in the analysis of real-world issues.
- Use the theory of consumer choice to explain and to predict consumer behavior.
- Use market structure models to explain and to predict business firm behavior.
- Explain the basis for and the benefits of trade.

Course Prerequisites

There are no prerequisites to take Microeconomics.

Important Terms

In this course, different terms are used to designate tasks:
- Proctoring: all final exams require proctoring which can be completed conveniently from your home. A webcam is required.
- Tutoring: memberships include online tutoring for students to access with any content/subject related questions in the place of faculty. If your tutor is not able to answer your questions please contact a student advisor.
- Practice Exercise: A non-graded assessment to assist you in practicing the skills discussed in a topic.
- Graded Exam: A graded online test.

Course Evaluation Criteria

StraighterLine provides a percentage score and letter grade for each course. See Academic Questions section in FAQ for further details on percentage scores and grading scale. A passing percentage is 70% or higher.

If you have chosen a Partner College to award credit for this course, your final grade will be based upon that college’s grading scale. Only passing scores will be considered by Partner Colleges for an award of credit.

There are a total of 1000 points in this course:

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<th>Assessment</th>
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<td>Graded Exam: The Market System and the Circular Flow</td>
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<td>3</td>
<td>Graded Exam: Demand, Supply, and Market Equilibrium</td>
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<td>4</td>
<td>Graded Exam: The U.S. Economy: Private and Public Sectors</td>
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<td>Graded Exam: The United States in the Global Economy</td>
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<td>Graded Exam: Extensions of Demand and Supply Analysis</td>
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<td>Graded Exam: The Costs of Production</td>
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<td>Graded Exam: Rent, Interest, and Profit</td>
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<td>Graded Exam: Public choice Theory and the Economics of Taxation</td>
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<td>Graded Exam: Antitrust Policy and regulation</td>
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<td>Graded Exam: Exchange Rates, the Balance of Payments, and Trade Deficits</td>
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<td>24</td>
<td>Final Exam</td>
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<td><strong>Total</strong></td>
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### Course Topics and Objectives

<table>
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<th>Topic</th>
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</table>
| 1 | Limits, Alternatives, and Choices | ● The Economic Perspective  
● Theories, Principles, and Models  
● Macroeconomics and Microeconomics  
● The Economizing Problem  
● Production Possibilities Curve  
● Graphs | ● Identify and describe three interrelated features of how economists think about the world.  
● Define opportunity cost and provide an example.  
● Differentiate between a theory, a principle, and a model.  
● Explain the usefulness of the "other-things-equal" assumption in economics analysis.  
● State the difference between Macroeconomics and Microeconomics.  
● Explain the difference between positive and normative economics.  
● Explain the Economizing Problem as it relates to the individual and to society.  
● Explain the message of the basic production possibilities curve.  
● Represent a relationship between two variables with a graph. |
| 2 | The Market System and Circular Flow | ● Economic Systems | ● Define economic system and explain the function of systems. |
| 3 | Demand, Supply, and Market Equilibrium | • Markets  
• Demand  
• Supply  
• Market Equilibrium | • Describe markets and their function.  
• Explain the inverse relationship between price and quantity demanded under the “all else equal” assumption.  
• Identify the determinants of demand.  
• Explain and graphically illustrate the difference between a change in quantity demanded and a change in demand.  
• Explain the positive relationship between price and quantity supplied under the “all else equal” assumption.  
• Identify the determinants of supply.  
• Explain and graphically illustrate the difference between a change in quantity supplied and a change in supply.  
• Explain and graphically illustrate market equilibrium.  
• Explain the difference between production efficiency and allocation efficiency.  
• Apply demand and supply analysis to real-world issues and problems. |
| 4 | The U.S. Economy: Private and Public Sectors | • U.S. Households  
• U.S. Businesses and Business Organization  
• The Public Sector and Role of Government | • Describe the functional distribution of U.S. income.  
• Describe the personal distribution of U.S. household income.  
• Describe the disposition of U.S. household income.  
• State the difference between the |
| 5 | The United States in the Global Economy | - International Trade  
- Specialization and Comparative Advantage  
- The Foreign Exchange Market  
- Government and Trade  
- Trade Organizations and Agreements | - Analyze the economic flows that link the U.S. and the economies of other nations.  
- Describe U.S. export and import data as a percent of GDP over time.  
- Define comparative advantage and use a table to illustrate the concept.  
- Construct a table illustrating the gains from specialization and use a demand and supply model to show how exchange rates are determined.  
- Use a demand and supply model to illustrate currency appreciation and depreciation.  
- Identify common trade barriers imposed by governments and explain why governments interfere with trade.  
- Compare and contrast the notable trade organizations and agreements.  
- Analyze global competition. |
| 6 | Extension of Demand and Supply Analysis | - Price Elasticity of Demand  
- Price Elasticity of Supply  
- Cross Elasticity of Demand  
- Income Elasticity of Demand  
- Consumer and Producer Surplus  
- Deadweight Loss | - Calculate price elasticity of demand using the mid-point and the percentage formulas.  
- Interpret the price elasticity demand coefficient.  
- Explain and illustrate the total revenue test.  
- Compare and contrast inelastic and elastic demands.  
- Explain what determines price elasticity of demand.  
- Apply price elasticity of demand to real-world issues.  
- Contrast the short-run and the long-run with respect to price elasticity of supply.  
- Apply price elasticity of supply to real-world issues.  
- Use cross-price elasticity of demand to define substitute goods, |
| 7 | Consumer Behavior and Utility Maximization | ● Consumer Choice and Budget Constraint  
● Utility Maximization and the Demand Curve | ● Explain and illustrate The Law of Diminishing Marginal Utility.  
● Use The Law of Diminishing Marginal Utility to explain the shape of a typical demand curve.  
● Use the utility-maximizing rule to determine how a consumer will allocate a fixed income in the purchase of two goods.  
● Use the utility-maximization rule to derive the demand for a product.  
● Explain the income and substitution effects.  
● Use the theory of consumer behavior to explain real-world phenomena. |
| 8 | The Costs of Production | ● The Meaning of Cost in Economics  
● The Meaning of Profit in Economics  
● The Short Run and Long Run  
● The Law of Diminishing Returns  
● Short- and Long-Run Production Costs  
● Scale Economics | ● Analyze a firm’s response to a change in demand in both the short and long run.  
● Explain how the Law of Diminishing Returns impacts a firm’s short-run costs.  
● Compare and contrast Economies and Diseconomies of scale. |
| 9 | Pure Competition | ● Characteristics of Pure Competition  
● Short-Run Profit Maximization  
● Long-Run Profit Maximization  
● Pure Competition and Efficiency | ● Identify the characteristics of the representative firm operating under the conditions of pure competition.  
● Analyze the demand faced by the purely competitive firm.  
● Calculate the purely competitive firm’s level of production and profit (or loss) in the short run using two methods. |
|   |   | Explain the condition under which the purely competitive firm will shut down in the short run.  
|   |   | Derive the competitive firm’s short-run supply curve.  
|   |   | Analyze the purely competitive firm’s long-run equilibrium.  
|   |   | Compare and contrast constant-cost, increasing-cost, and decreasing-cost industries.  
|   |   | Explain the efficiency implications of pure competition.  
|   |   |   
| 10 | Pure Monopoly | Characteristics of Pure Monopoly  
|   |   | Monopoly Demand  
|   |   | Monopoly Output and Price Determination  
|   |   | Efficiency Implications of Pure Monopoly  
|   |   | Price Discrimination  
|   |   | The Regulated Monopoly  
|   |   | Compare and contrast the characteristics of pure monopoly with those of pure competition.  
|   |   | Compare and contrast the demand curve and marginal revenue curve of the monopolist with that of the purely competitive firm.  
|   |   | Use the MR=MC rule to determine the monopolist’s profit maximizing price and output.  
|   |   | Analyze the economic effects of monopoly.  
|   |   | Define price discrimination.  
|   |   | Identify real-world examples of price discrimination.  
|   |   | Analyze the various ways monopoly is regulated.  
| 11 | Monopolistic Competition and Oligopoly | Characteristics of Monopolistic Competition  
|   |   | Price and Output Determination in Monopolistic Competition  
|   |   | Monopolistic Competition and Efficiency  
|   |   | Characteristics of Oligopoly  
|   |   | Game Theory  
|   |   | Models of Oligopoly  
|   |   | Oligopoly and Efficiency  
|   |   | Compare and contrast the characteristics of monopolistic competition with those of pure competition.  
|   |   | Use the MR=MC rule to determine the monopolistically competitive firm’s output and price in the short and long run.  
|   |   | Analyze the efficiency implications of the monopolistically competitive market.  
|   |   | Identify the conditions that lead to oligopoly.  
|   |   | Analyze concentration ratios across industries.  
|   |   | Use Game Theory to explain pricing behavior in oligopolistic markets.  
|   |   | Analyze three models of Oligopoly.  

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| 12 | Technology, R&D, and Efficiency | - Invention, Innovation, and Diffusion  
- Research and Development  
- Imitation and R&D Incentives  
- Market Structure and Technological Advance | - Compare and contrast Invention, Innovation, and Diffusion.  
- Explain the modern view of technological advance.  
- Use marginal analysis to determine the firm’s optimal amount of R&D.  
- Explain how dominant firms use the fast-second strategy to maximize profit.  
- Identify the strengths and weaknesses of each market structure with respect to technological advance.  
- Present a real-world example of creative destruction. |
| 13 | The Demand for Resources | - Marginal Productivity Theory  
- resource Demand Under Imperfect Product Market Competition  
- Determinants of resource Demand  
- Elasticity of Resource Demand  
- Optimal Combination of Resources  
- Marginal Productivity Theory of Income Distribution | - Derive the demand for resources in perfectly competitive and imperfectly competitive markets.  
- Explain how changes in the determinants of resource demand impact the demand for resources.  
- Analyze current trends in employment.  
- Explain the main determinants of resource demand elasticity.  
- Determine the optimal combination of resources using two methods.  
| 14 | Wage Determination | - Labor, Wages, and Earnings  
- Perfect Competition in the Labor Market  
- Imperfect Competition in the Labor Market  
- The Minimum Wage Debate | - Compare and contrast Invention, Innovation, and Diffusion.  
- Distinguish between nominal wages and real wages.  
- Describe the relationship between real wages and productivity.  
- Analyze wage determination in a purely competitive labor market.  
- Compare and contrast the monopsony model of wage determination. |
| 15 | Rent, Interest, and Profit | • Wage Differentials | • Economic Rent  
• Interest  
• Economic Profit | • Explain the existence of economic rent.  
• Use a Loanable Funds Model to explain how interest rates are determined.  
• Analyze the sources of economic profit.  
• Explain the economic function of profit. |
| --- | --- | --- | --- |
| 16 | Government and Market Failure | • Public Goods  
• Externalities | • Compare and contrast private goods and public goods.  
• Use the MB=MC rule to determine the optimal quantity of public goods.  
• Define positive and negative externalities.  
• Use the Coase Theorem to analyze a real-world individual bargaining example.  
• Explain various ways in which government can bring about efficiency in the face of externalities. |
| 17 | Public Choice Theory and the Economics of Taxation | • Revealed Preferences  
• Government Failure  
• Apportioning Tax Burdens  
• Tax Incidence and Efficiency Loss | • Explain how majority voting may produce inefficiencies.  
• Explain how majority voting may bring on results that violate voter preferences.  
• Explain why rent seeking occurs.  
• Contrast progressive, proportional, and regressive taxes.  
• Analyze the relationship between elasticity and tax incidence.  
• Illustrate the efficiency loss of a tax. |
| 18 | Antitrust Policy and Regulation | • The Antitrust Laws and Policy  
• Effectiveness of Antitrust Laws  
• Natural Monopoly  
• Deregulation | • Describe the most important of the antitrust laws of the U.S. and the historical events leading to the passing of these laws.  
• Describe inconsistencies in antitrust policy.  
• Calculate a Herfindahl Index from... |
| 19 | Agriculture: Economics and Policy | - The Economics of Agriculture  
- Economics of Farm Policy  
- Criticisms and Politics  
- Recent Reform | - Present the economics behind the volatility of price and income in the agriculture sector.  
- Present the economics behind the belief that agriculture is a declining industry in the long run.  
- Present an economic argument for farm subsidies.  
- Define parity and give a real-world example.  
- Use a demand and supply model to show the impact of an effective commodity price support program.  
- Use public choice theory to explain why agriculture continues to receive favorable support from government in spite of the strong arguments against doing this. |
| 20 | Income Inequality and Poverty | - Facts About Income Inequality  
- Causes of Income Inequality  
- Income Inequality Over Time  
- Equality Versus Efficiency  
- Poverty  
- U.S. Income Maintenance System | - Construct a Lorenz Curve and calculate Gini Coefficients and interpret both.  
- Analyze the causes of income inequality.  
- Present historical data on income inequality.  
- State the trade-off between equality and efficiency.  
- Define poverty and delineate the incidence of poverty.  
- Analyze the U.S. Income-Maintenance System |
| 21 | The Economics of Health Care | - Costs and Access  
- High and Rising Health Care Costs  
- Why Costs Are | - Present current statistics relative to the health care industry.  
- Analyze the health care industry and explain why costs are rising so rapidly in that industry. |
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| 22   | Labor Market Institutions and Issues | - Unionism in America  
- Economic Effects of Unions  
- Labor Market Discrimination  
- Economic Analysis of Discrimination  
- Immigration                                                                 |
| 23   | International Trade            | - Some Current Statistics  
- The Economic Basis for Trade  
- Comparative Advantage  
- Supply and Demand Analysis of Exports and Imports  
- Trade Barriers  
- The Case for Protection  
- Offshoring                                                                 |
| 24   | Exchange                       | - The Balance of                                                     
- Explain the Balance of Payments in                                      |
| Rates, the Balance of Payments, and Trade Deficits | Payments | terms of each of its accounts.  
| | ● Flexible Exchange Rates | ● Analyze the offsetting transactions that cause the Balance of Payments to always sum to zero.  
| | ● Fixed Exchange Rates | ● Use demand and supply diagrams to illustrate currency appreciation and depreciation.  
| | ● International Exchange Rate Systems | ● List the determinants of exchange rates.  
| | ● Recent U.S. Trade Deficits | ● State the case for flexible exchange rates and potential problems with this case.  
| | | ● State the case for fixed exchange rates and potential problems with this case.  
| | | ● Compare and contrast the various international exchange rate systems.  
| | | ● Analyze recent U.S. trade deficits.         

| Review | 25 | Supply and Demand  
| | Elasticity of Supply and Demand  
| | Pure Competition and Monopolies  
| | The Cost of Production  
| | International Trade Policy  
| | Wage Determination  
| | Monopolistic Competition and Oligopoly  
| | Government and Market Failures  
| | Antitrust Policy and Regulation  
| | Taxation  
| | Agricultural Economics and Politics  
| | Income Inequity and Poverty  
| | Rent, Interest, and Profit  

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