

Econ 201

Principles of Microeconomics

Spring 2024

WVU

HOD-D-301

Class Time:

2:30-3:45

Instructor: [Professor Roger D. Congleton](#)

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Office Hours: 4:00- 5:00 Wednesday and Thursday, and most other afternoons by appointment

Required Text: *Class Web-Text from the [class Website](#)*

Optional Texts:

[*Economics: Private and Public Choice, 16th Edition*](#). By James D. Gwartney, Richard Stroup, Russell Sobel, and David Macpherson

[*Common Sense Economics*](#), James D Gwartney and Dwight Lee

[*Basic Economics*](#), Thomas Sowell

Course Description:

Principles of Economics is a lecture-based course that focuses on the core tools and applications of undergraduate microeconomics. It can be thought of as a course on the economic implications of rational (net-benefit maximizing) choices in a market context. Although the main focus of the course is theory, applications to a wide range of choice and policy settings are used to illustrate the relevance of the tools developed in class.

The main body of the course is divided in to two parts,(1) the logic of net-benefit maximizing choice and its implications for prices and on the effects of market structure on prices in competitive markets. (2) Extensions of that framework to take account of monopoly power, innovation, risk, informational problems, time, norms, and public policies.

The goal of the course is to provide the student with a thorough understanding of the power of microeconomics as a methodology for understanding voluntary exchange, market equilibria, and how market equilibria are affected by natural and public policy shocks.

Topics

I. The Economics of Competitive Markets

9-Jan-24 **1. Introduction to Microeconomics**

A brief look at markets: the gains from trade, the gains from specialization, and how prices coordinate individual decisions .

A brief overview of models as a method of explanation and prediction.

Methodological Individualism: Rational Choice as a modeling device. Microeconomics the logic of choice. (What does rational choice mean?) Normative and Positive Economics (1 lecture)

2. Demand and Supply as Consequences of Net Benefit

11-Jan-24 **Maximization** Rational choice as net benefit maximization. The geometry of choice. Use of marginal cost and marginal benefit curve to model consumers and firms. Price takers, supply and demand, and market prices, (3 lectures)

23-Jan-24 **3. Comparative Statics:** The effects of economically relevant changes in consumer marginal benefits or firm marginal costs on equilibrium prices and outputs. Factors that change marginal consumer benefits include, income, prices of substitutes and complements. Factors that change marginal production costs include input prices, technological changes, and some forms of government regulation. Long and short run adjustments.(3 lectures)

1-Feb-24 **4. Income: Competitive Markets for Inputs.** Income and the price paid for inputs. Marginal revenue product and the demand for inputs. Opportunity cost and the supply of inputs. Competitive markets for inputs. Career choice and expected income. (2 lectures)

5. Applications: Policy Analysis Using Demand and Supply Curves.

8-Feb-24 Effects of Price Controls and Entry Barriers, Dead Weight Losses in the Short and Long Run. Taxes and Dead Weight Losses in the Short and Long Run. (3 lectures)

20-Feb-24 Review for Midterm Exam

22-Feb-24 **Midterm Exam**

27-Feb-24 Review of Midterm Exam

6. Market Structure: Monopoly and Monopolistic Competition.

29-Feb-24 Price making firms. Why firms prefer to be monopolies. Cartels as escape from competition. Monopolistic competition: competition among firms producing close but not perfect substitutes for one another, antitrust law. (3 lectures)

Spring Break No Class (March 9-17)

[STUDY GUIDE I](#)

II. Extensions and Additional Applications of Microeconomics

- 19-Mar-24 **7. Entrepreneurship: Creative Destruction and Equilibration.**
Knight, Schumpeter, Kirzner, Coase, and Smith. Alternative conceptions of the firm, markets and entrepreneurship. Prices as coordinating devices. (2 lectures).
([WSJ on Innovation and Commodity Prices.](#))
- 26-Mar-24 **8. Information Problems, Risks, and Uncertainties, Risk aversion, Expected Values.** Effects of risk and uncertainty on market outcomes. Innovation as a source of uncertainty. Specialization and markets as a way of addressing informational problems. Rational Ignorance. (3 lectures)
- 4-April-24 **9. Time and Risk.** Assessing Costs and Benefits through Time. Present Values. Expected Present Values. Planning for the future. Cost-Benefit Analysis. Discount rates. (2 lectures)
- 11-April-24 **10. Further Applications and Extensions.** Rational Criminals and Markets, Rational Voters and Public Policies, Welfare Economics and Externalities. (4 lectures)
- 25-April-24 11. Overview of the course and Review for the final [STUDY GUIDE II.](#)
- 3-May-24 FINAL EXAM 3:00 - 5:00 PM**

Grades:

Midterm Exam	40.00%
Final Exam	44.00%
4 Homeworks	16.00%

Marginal extra credit for extraordinary class participation (up to 3% bonus)