Professor: Nikolai G. Wenzel, Ph.D.
Visiting Assistant Professor of Economics
and
Wallace and Marion Reemelin Chair in Free-Market Economics
Hillsdale College (on leave 2011-2012)

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Phone: 239-590-7345
E-mail: nwenzel@fgcu.edu
Office Hours: T/R 3.30pm-4:30pm; and by appointment.

OVERVIEW
This course offers an introduction to economics and the economic way of thinking. As it is a course in MICROeconomics, we will focus mostly on individuals and emergent patterns (rather than on the big picture of national economies that is covered in MACROeconomics).

The goals for the course are the following:
1. To introduce you to the basic concepts and vocabulary of microeconomics
2. To provide you with a framework to "think like an economist"
3. To explain how/why markets work, and the effects of government in the economy
4. To offer you a toolkit to analyze public policy and human behavior

I had a very unpleasant experience as an undergraduate taking principles of microeconomics. The course was exclusively focused on technical material (and confusing, at that), without any attempt to contextualize economics. This course will contain the bare minimum of technical material you need, but will treat economics as part of a bigger picture. Economics is often thought of as a technical discipline to study markets, but its applications are much broader. As you will see throughout the course (both on your own and through the case studies I will present), economics is a powerful tool for making sense of the world around you, and any form of human action involving choices and trade-offs. You will hopefully be pleasantly surprised to learn that the tools of economic analysis can be applied to many subjects beyond markets, finance and industrial production; some examples include: religion, politics, time management, dating, biology, crime, etc.

While it is important for you to grasp the technical material and vocabulary covered in this class, the ultimate goal is for you to "think like an economist." I would like to hear that you read the newspaper, watch the news, and approach your decision-making in a radically different way than you did before taking this class. If that occurs, then we will have satisfied the most important objective of this class – what physicist Victor Weisskopf calls "the joy of insight." In fact, because this is so important, I will conduct the class in part as a series of experiments, discussions, and class participation exercises. Through these, I hope to demonstrate some basic principles of economics; we will then analyze the results together.
PREREQUISITES
MAC 1105 with a minimum grade of C

ATTENDANCE AND CLASS PARTICIPATION
I believe in the freedom of individual choice. In addition, I acknowledge that different people learn in different ways, so you are free to approach your learning in any way you desire (whether attending lectures, spending time in the library reading instead of attending class, etc.). I will thus not take attendance. However, with freedom comes responsibility. This means that anything covered in the lectures is fair game for the exams; and while you are free to miss classes, don't come complaining to me if your attendance record or lack of preparation adversely affects your grade.

**********
Please read this syllabus carefully; you are responsible for reading it, and knowing the information contained herein. As an incentive, I will deduct five points from your class grade each time you ask me a question that is plainly covered in the syllabus.

**********

A few more things:

- You are responsible for material and assignments covered in class
- I will not repeat material or assignments outside of class; if you miss class or weren't paying attention, please don't email me or contact me about missed information
- I will return quizzes once; after I have returned them, I will log them and discard them
- I will return tests once; if you don't get a test, please pick it up during office hours
- I will not offer any extra credit assignments
- I will drop the lowest quiz grade and the lowest test grade; beyond that, barring a genuine and documented medical/family emergency, you will get a zero for missed quizzes or tests
- Due to a variety of regulations, I will not discuss grades over email; you are responsible for tracking and computing your own grades. If you have questions beyond the information contained in the syllabus, please see me during office hours
- I will not offer any make-ups, except in cases of documented family/medical emergencies
- There will be no exceptions to the final exam schedule, except in cases of document family/medical emergencies

CLASSROOM CONDUCT
I do not place limitations on classroom conduct, as long as you do not distract others. I have found, however, that paying attention in class (including turning off your phones and not surfing the net) helps with class performance.

TEST/EXAM CONDUCT
If you leave the classroom during a test or exam, you will have to turn in your work and you will not be allowed to return. If I see you using a cell phone, computer, or other communications during an exam, I will assume you are cheating and you will get a zero for that test/exam.

ACADEMIC HONESTY
You are required to abide by the principles of academic honesty. If I catch you violating academic honesty (for example, behavior including, but not limited to, using resources during a closed-book exam, copying somebody else's work, etc.), I will give you a zero on the assignment, and (as appropriate) refer you to the appropriate disciplinary channels. Punishment for academic dishonesty can include course failure or expulsion.
REQUIRED TEXTBOOKS


   OR


[combined micro and macro for students taking the sequence]

NB: Recent prior editions are OK, but please make sure you are reading the correct assignment; if you choose to purchase a prior edition, it will be your responsibility to read the proper assignments; please don't ask me.


GRADING AND EXAMS

There will be five tests and a final exam. The grading breakdown follows:

- Quizzes (~10) 30%
- Tests (10 points each) 50%
- Final 20%

A note on my grading policy. Your grading will be based on (a) your understanding of the concepts, as presented in the course goals below; (b) your application of the concepts, again per the course goals below; and (c) your expression thereof. I grade written work along four criteria: (1) economic thinking; (2) clarity and organization; (3) creativity (i.e. not just parroting the textbook or lecture notes); (4) grammar and style, with #1 weighted more heavily. In general, an A answer is economically sound, shows comprehension and application of the course goals, and is well organized and articulated. A B answer is pretty good, but there's something missing; maybe the economic logic is a bit sloppy, maybe the organization is confusing, or maybe the grammar and style are obstacles; maybe it simply repeats the lecture. A C answer has hints of good elements, but is poorly expressed, confusing, or an indication that goals have not been grasped. A D answer lacks even the hint of a good element, but usually represents my grasping at something... something...
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<thead>
<tr>
<th>Grade/100</th>
<th>4-point Scale</th>
<th>Letter</th>
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<tr>
<td>95.75</td>
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<td>87.5</td>
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HELP AND QUESTIONS
I am available for individual help outside of class. Most concerns can be resolved by e-mail (nwenzel@fgcu.edu); I teach several sections each semester, so please indicate your class name/number and section in your email. You may also stop by my office hours or e-mail me to request an appointment. I encourage you to visit my office hours; however, I ask that you complete all assignments and review all relevant class notes before coming to me with any questions. Likewise, I will not discuss tests during a 48-hour cooling period after returning them, during which time you should review the answer key carefully before coming to me with any questions.

EMAIL
I will often communicate with the class via the CRN email. If you do not have an eagle account you need to establish one right away. Outside of my official office hours, if I am not in my office, the best way to reach me is via email (nwenzel@fgcu.edu). I will not reply to messages asking questions that can be answered by simply reading the syllabus. I do NOT use ANGEL for email; any messages you send there will not be read. Finally, I am not your buddy; please use proper grammar, punctuation, capitalization and spelling in your email communications to me. I will delete emails that look like they are text messages from a teenager.

A NOTE ON GRAMMAR AND STYLE
Some undergraduates write beautifully, precisely and coherently, and others can barely string a sentence together. This is not an English composition class, but it also not a High School class, and I assume (demand?) competence in English grammar and style. For take-home work, you will lose one grade fraction (e.g. B to B-) for every three errors (including typos, grammars, spelling etc.), after I have forgiven the first three. If you need help, please seek assistance from the campus writing center. I am also happy to provide you with resources.
**TENTATIVE SCHEDULE**

This schedule will almost certainly change in response to classroom dynamics, new topics that arise, etc. I will circulate a revised schedule if appropriate. Please complete all reading assignments before class.

G=Gwartney et al. Textbook; M=Mises; B=Bastiat\(^1\); R=Read\(^2\); E=Easterly; O=O'Rourke

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<tr>
<th>DATE</th>
<th>TOPIC</th>
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<tr>
<td>10 Jan</td>
<td>Introduction</td>
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<tr>
<td>12 Jan</td>
<td>Trade Game</td>
<td>Syllabus; Heyne (&quot;Teaching Introductory Economic,&quot; <em>Agenda</em>, II.2, 1995)(^3)</td>
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<td>17 Jan</td>
<td>Trade</td>
<td>G2</td>
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<tr>
<td>19 Jan</td>
<td>Economic Way of Thinking</td>
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<td>24 Jan</td>
<td><strong>Test #1</strong></td>
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<td>Demand 1</td>
<td>G3</td>
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<tr>
<td>31 Jan</td>
<td>Demand 2</td>
<td>G3</td>
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<td>Supply 1</td>
<td>G3</td>
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<tr>
<td>7 Feb</td>
<td>Supply 2</td>
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<td>9 Feb</td>
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<tr>
<td>16 Feb</td>
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<td>21 Feb</td>
<td>Intervention 1</td>
<td>G4</td>
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<tr>
<td>23 Feb</td>
<td>Intervention 2</td>
<td>Mises 1-3</td>
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<td>28 Feb</td>
<td><strong>Test #3</strong></td>
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<tr>
<td>1 Mar</td>
<td>Info; Game Theory</td>
<td>G11 (application)</td>
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<td>6-8 Mar</td>
<td>Spring Break</td>
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<td>13 Mar</td>
<td>Firm Activities</td>
<td>G8</td>
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<td>15 Mar</td>
<td>Firm 1</td>
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<td>20 Mar</td>
<td>Firm 2</td>
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<td>22 Mar</td>
<td>Firm 3</td>
<td>G10-11</td>
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<td>27 Mar</td>
<td>Firm 4</td>
<td>G12</td>
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<tr>
<td>29 Mar</td>
<td><strong>Test #4</strong></td>
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<td>3 Apr</td>
<td><strong>Test #5 (take-home)</strong></td>
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<td>5 Apr</td>
<td>Public Choice</td>
<td>G5 (skim); G6</td>
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<tr>
<td>10 Apr</td>
<td>Knowledge</td>
<td>B (intro, 1, 3, 5, 7, 8)</td>
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<tr>
<td>12 Apr</td>
<td>Crisis</td>
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<td>17 Apr</td>
<td>Growth</td>
<td>E (skim)</td>
</tr>
<tr>
<td>19 Apr</td>
<td>Last Day</td>
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</table>

The final exam will be held on Tuesday, April 24, 2012, 1:30pm-4:15pm.

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\(^1\) Available on-line at www.econlib.org/library/Bastiat/BasEss1.html


\(^3\) Part of your assignment is finding this reading!
SPECIFIC COURSE GOALS
Please read these course goals carefully. Please refer to them throughout the semester, and please review them before exams. They will give you an indication of what is expected of you. If you do not understand a goal, or if you are unsure whether you have reached it, please approach me.

MARKET BASICS
Trade and Property Rights
- Understand the basic principles of market exchange
- Explain what a market is
- Explain the difference between voluntary and involuntary trade
- Understand the consequences of specialization and trade
- Understand the importance of property rights for trade
- Understand the consequences of absent or ill-defined property rights
- Understand comparative advantage and apply it to interpersonal/international trade

The Economic Way of Thinking
- Define economics and what it studies
- Examine the tools economists use and their way of looking at the world
- Understand the difference between positive and normative – and categorize statements
- Explain value neutrality and its importance in economics
- Analyze policy questions from a positive and normative perspective
- Understand the concept of scarcity and its consequences
- Understand marginal thinking and apply it to everyday situations
- Give examples of diminishing marginal returns (and increasing returns)
- Look at the seen and unseen effects of a proposed action or policy
- Learn to look (always) for the seen and unseen effects
- Understand the concept of unintended consequences
- Predict what unintended consequences might be in simple (and more complex) situations
- Learn to simplify real life through assumptions – hold other things constant
- Apply economics to simple examples from everyday life

Demand
- Define a consumer
- Learn how to analyze consumer behavior through the concept of demand
- Define demand
- Understand the difference between “demand” and “quantity demanded”
- Know the determinants of demand and how they affect demand
- Know the (single) determinant of quantity demanded
- Understand the difference between individual and group demand
- Learn to generate an individual demand curve and a group demand curve
- Understand the concept of elasticity of demand
- Find examples of elasticity (and consequences) in the real world
- Graph demand and quantity demanded
- Graph changes in demand
- Observe changes in demand in the real world; analyze and graph them
- Understand consumer maximization of utility within constraints

Supply
- Define a supplier
- Learn how to analyze supplier behavior through the concept of supply
- Define supply
Understand the difference between “supply” and “quantity supplied”
Know the determinants of supply and how they affect supply
Know the (single) determinant of quantity supplied
Understand the difference between individual and group supply
Learn to generate an individual supply curve and a group supply curve
Understand the concept of elasticity of supply
Find examples of elasticity (and consequences) in the real world
Graph supply and quantity supplied
Graph changes in supply
Observe changes in supply in the real world; analyze and graph them
Look inside the firm to understand scarcity power and the sources of supply
Look inside the firm to determine price-determination

Introduction to Markets
Define a market; give examples of different kinds of markets
Understand the market as a communications forum for consumers and producers
Find the origins of market price
Combine earlier lessons of supply and demand
Understand the market as an interaction between supply and demand
Examine the basics of market equilibrium
Look at simple changes in supply or demand and the effects on the market
Graph markets, market equilibrium, and market changes
Examine real world examples of market equilibrium and change

MARKET EQUILIBRIUM
Market Equilibrium
Examine and explain market equilibrium thoroughly – verbally and graphically
Examine official and unofficial market clearing (absent govt hindrances)
Study the effects of a market disequilibrium (excess demand or supply)
Examine market movements, based on shifts in supply or demand
Look at effects of elasticity (demand and supply) on market shifts
Examine the characteristics and market effects of substitutes and complements
Examine case studies: international finance, oil, housing, computers, health care...
Explain market changes graphically and verbally

Interventionism
Define interventionism
Examine some of the stated rationales for interventionism
Define a price ceiling (price maximum) and a price floor (price minimum)
Graphically examine the market consequences of each
Verbally examine the market consequences of each
Examine a subsidy, graphically/verbally and its effects (depending on elasticity)
Examine the concept of incidence, and its dependence on elasticity
Examine government bans (e.g. drugs) and their market effects
Discuss the bigger picture of interventionism in political economy
Discuss Mises’s “dynamics of intervention” and his analysis of interventionism

Spontaneous Order
Define spontaneous order
Look at the difference between effects of human design and human action
Examine historical examples of spontaneous order
Understand the market as a spontaneous order
Understand Read's “I, Pencil” and apply it to the market generally
Look at the market (supply and demand) as a process of communication
Understand interventionism as an obstruction to information flows

**POLITICAL ECONOMY**

**General**
- Review property rights as foundation for economic exchange
- Review role of govt in protecting rights... and interventionism
- Examine the bigger picture of “political economy”
- Examine the role of govt, institutions, philosophy, etc. in economics
- Move from the blackboard to the real world in economics
- Apply the semester's tools to real-world examples
- Make sure to use economic methodology and methodological symmetry (fairness)
- Study the main policy questions of the day: health care, housing, etc.
- Find other public policy questions to be examined; study them with economics
- Use growth as a specific case study for economic methodology and fallacies
- Use growth (domestic and international) as a capstone case study
- Understand the basics of business and economic regulation
- Explain Milton Friedman's "four ways to spend money"
- Define/explain the basics of public choice theory and Austrian political economy
- Understand/explain the incentive problem and the knowledge problem

**The Knowledge Problem**
- Define the knowledge problem
- Review Leonard Read's “I, Pencil”
- Study examples of the knowledge problem in everyday life
- Examine the economic consequences of the knowledge problem
- Understand the policy challenges of the knowledge problem

**The Incentive Problem**
- Define the incentive problem
- Contrast economics as “private choice” v. “public choice”
- Look at the differences (and similarities) between private and public choice
- Dispel the “noble fallacy” of govt as neutral; replace with positive analysis
- Apply methodological symmetry to govt action
- Study some basic problems of collective action
- Apply a basic economic analysis of politics and democracy

**Institutions and Constitutions**
- Define an institution; a constitution
- Examine the difference between formal and informal institutions
- Examine (briefly) the influence of psychology and philosophy on economics
- Examine the role of institutions in addressing (or not) the knowledge/incentive problems
- Look at the economic consequences of institutions and constitutions
Information and Game Theory
- Use economics to understand search theory
- Examine information from an economic perspective
- Define, understand and apply “moral hazard”
- Understand the framework and logic of game theory
- Understand and apply the prisoner’s dilemma and the coordination game

The Financial Crisis of 2008 and International Development
- Understand and explain the basics of the financial crisis of 2008
- Define moral hazard
- Apply lessons from the class as a whole (micro) to basic macro/growth problems
- Understand/explain the role of prices (including interest rates) as information/incentive
- Define and apply "regime uncertainty"

THE FIRM
The Firm
- Understand profit (π) as the firm's only (assumed) motive
- Understand what a firm does: transform inputs into outputs
- Understand the role of profit as incentive and signal
- Understand accounting v. economic profit
- Understand short-run v. long-run for the business firm (production and profit)
- Define economies of scale
- Debunk the sunk cost fallacy
- Understand and apply product and product curves (TP, MP, AP)
- Understand and apply cost and cost curves (TFC, TVC, TC, MC, ATC, AVC, AFC)
- Understand and explain how a firm maximizes profit
- Define the difference between a price-taker and a price-searcher
- Understand and explain how each determines P and q*
- Understand MC curve as firm's supply curve (and transpose to industry)
- Define barriers to entry
- Define a monopolist and understand monopoly pricing, and the basics of monopolies
- Define and explain price-discrimination
- Define an oligopoly and explain the problems of collusion

Labor
- Define labor as a derived demand
- Understand and explain how business firms demand labor, and how they set wages
- Understand and explain supply of labor, including elasticity
- Understand and explain basic deviations from strict market wages
- Understand and explain the basics of union wage manipulation
UNIVERSITY-REQUIRED STATEMENTS

Academic Behavior Standards and Academic Dishonesty
All students are expected to demonstrate honesty in their academic pursuits. The university policies regarding issues of honesty can be found in the FGCU Student Guidebook under the Student Code of Conduct and Policies and Procedures sections. All students are expected to study this document which outlines their responsibilities and consequences for violations of the policy. The FGCU Student Guidebook is available online at http://studentservices.fgcu.edu/judicialaffairs/new.html

Disability Accommodations Services
Florida Gulf Coast University, in accordance with the Americans with Disabilities Act and the university’s guiding principles, will provide classroom and academic accommodations to students with documented disabilities. If you need to request an accommodation in this class due to a disability, or you suspect that your academic performance is affected by a disability, please contact the Office of Adaptive Services. The Office of Adaptive Services is located in Howard Hall 137. The phone number is 239-590-7956 or TTY 239-590-7930

Student Observance of Religious Holidays
All students at Florida Gulf Coast University have a right to expect that the University will reasonably accommodate their religious observances, practices, and beliefs. Students, upon prior notification to their instructors, shall be excused from class or other scheduled academic activity to observe a religious holy day of their faith. Students shall be permitted a reasonable amount of time to make up the material or activities covered in their absence. Students shall not be penalized due to absence from class or other scheduled academic activity because of religious observance. Where practicable, major examinations, major assignments, and University ceremonies will not be scheduled on a major religious holy day.

A student who is to be excused from class for a religious observance is not required to provide a second party certification of the reason for the absence.

Syllabus Statement for Center for Academic Achievement
The Center for Academic Achievement (CAA) provides academic support services to all FGCU students. Students can take advantage of our free peer tutoring and Supplemental Instruction sessions for lower-level math and science courses, as well as workshops to facilitate the development of skills necessary for college success. If you would like to participate in any of our programs, learn about tutoring services, or meet with an Academic Retention Coordinator, please visit the CAA in Library 103 or call us at (239) 590-7906. Our website is www.fgcu.edu/caa.
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<thead>
<tr>
<th>LCOB Learning Goals (EPCK)</th>
<th>Learning Objective (Measurable Outcomes)</th>
<th>Course Learning Outcomes</th>
<th>Method of Assessment</th>
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<tbody>
<tr>
<td>Understand the business environment.</td>
<td>Graduates will: • Demonstrate knowledge of ethical issues. • Demonstrate knowledge of global factors influencing business. • Explain the importance of environmental responsibility.</td>
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<td>Be effective problem solvers.</td>
<td>Graduates will: Solve business problems using analytical tools.</td>
<td>1. <em>Identify the basic economic problem.</em> Describe such concepts as scarcity, opportunity cost, and choice. 2. <em>Examine markets and price determination.</em> Explain the determinants of supply and demand; describe and calculate comparative advantage, utility, and elasticity; and discuss price ceilings and floors. 3. <em>Develop theories of the firm.</em> Explain and calculate revenues and costs. Discuss marginal analysis and market structures. 4. <em>Analyze factor markets.</em> Utilize factor markets to examine wages, rents, interest, profits, and income distribution. 5. <em>Evaluate the role of government in a market economy.</em> Discuss the role of government in public goods, maintaining competition, externalities, taxation, and income distribution.</td>
<td>MEL &amp; exams.</td>
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<tr>
<td>Be effective communicators.</td>
<td>• Deliver effective oral presentations. • Prepare effective written reports.</td>
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<td>Have interdisciplinary business knowledge.</td>
<td>• Understand main concepts and definitions in accounting, economics, finance, information systems, management, marketing, and operations management. • Integrate knowledge across business disciplines.</td>
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