
Economics 50
Stanford University
Spring 2008-2009

Instructor: Prof. Mark Tendall
Office: Landau Economics 249
Office Hours: MW 9:30-10:30am;
Tu 3:15-4:15pm
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Please read this document carefully. It describes some important course policies and deadlines, and I will assume that you are familiar with them.

Econ 50: Economic Analysis I

Course overview and objectives

A solid background in microeconomics is useful for anyone who wants a better understanding of many important economic issues and problems. How do people decide whether and when to purchase a new laptop computer or cellular phone? How do firms decide whether to hire new employees, or to lay off some of their existing employees? Why do some industries emerge and grow, while others decline? Why have housing prices risen and fallen so steeply? Do changes in gasoline prices affect consumers' choices or their wellbeing? Should monopoly firms be regulated or left alone? Would an increase in the minimum wage help or harm workers? Are policies that benefit employers harmful to employees? In Economics 50, you will develop an analytical framework for considering these and other microeconomic questions.

Economics 50 is the first course in the Economics Department's undergraduate "core" curriculum (Econ 50-51-52), a year-long survey of intermediate microeconomics and macroeconomics. Econ 50 introduces you to basic models of microeconomic theory, and to the sort of mathematical reasoning that is widely used in theoretical and applied microeconomics. For those of you who plan to continue your study of economics, Econ 50 will provide a foundation for later microeconomics and macroeconomics courses. Although much of the quarter will be devoted to mathematical tool-building, we will also discuss policy applications of the standard theoretical models. We will begin with a brief review of supply, demand, and perfectly competitive markets. We will then proceed to a study of consumer theory, deriving a theoretical approach for explaining consumers' behavior and choices. In this portion of the course, we will see how economists view demand curves for specific products as arising from purposeful, utility-maximizing decisions by self-interested individuals. In the second half of the course, we will study producer theory, including the implications of cost-minimizing and profit-maximizing behavior for firms under two "extreme" cases: perfect competition and monopoly. After completing Econ 50, you will be ready to continue with the other courses in the intermediate core: Econ 51 uses game theory and other models to cover the "in-between" cases of oligopoly and monopolistic competition, and gives an introduction to general equilibrium theory and the economics of risk and uncertainty. The theories of consumer and

producer behavior we develop in Econ 50 will also provide the microeconomic foundations of the macroeconomic models covered in Econ 52.

I will try very hard to make Econ 50 useful, entertaining, and rewarding for you. For some of you, though, this will not be an easy course; our approach will be much more mathematical than what you have seen previously. Because of the importance of “marginal” reasoning in microeconomics, we will make frequent use of differential calculus. If you work hard, and take extra care to keep up with the material, you will be rewarded -- both in the short-term and in your preparation for future economic coursework. Although Econ 50 is a very large class, there will be many opportunities for you to receive individual attention and deepen your understanding of the course material. Please make extensive use of office hours, class and section meetings to make sure you’re keeping up. If you find Econ 50 difficult, you may also wish to take advantage of tutoring and other study resources on campus.

Prerequisites: Econ 1A or equivalent, plus Math 51 or equivalent

Note that Axess is programmed such that you will not be able to register in Econ 50 until you have satisfied both the introductory economics and the mathematics prerequisites. If you have satisfied either of these prerequisites by transfer credit, rather than by courses taken here at Stanford, please contact Mrs. Carol Schwan (cschwan@stanford.edu) in the Economics Department Academic Office for an Axess registration code that will allow you to register for Econ 50. Note that these prerequisites are strict: you may not take Math 51 and Econ 50 concurrently; you may not use AP credits to “place out” of Econ 1A.

Lectures and office hours

Lectures will be held in Building 320, Room 105, on Tuesdays and Thursdays from 1:15 to 3:05 p.m. There may also be some additional meetings for review before the midterm and final exams. It is very important that you attend all lectures, particularly since we will be covering quite a bit of material that does not appear in the textbook. In order to foster a productive learning environment, **laptop computers will be allowed in the lecture hall only for note-taking and other academic uses relevant to Econ 50. All other electronic devices should be turned off during class.** I also encourage you to attend office hours (both mine and those of the TAs). I am in my office nearly every day, and I welcome visits outside my posted office hours.

Teaching assistants and section meetings

At the end of each week, you’ll attend a 50-minute section with your teaching assistant. You will be assigned a teaching assistant and a specific TA section meeting time by Tuesday, April 8; regular sections will meet for the first time that week. In section meetings, TAs will collect and return homework

assignments, review each week's material, and present examples not covered in lectures. You will be responsible for all material covered in sections.

E-mail and course website; section registration

We will make extensive use of our class web site throughout the quarter. As soon as possible, and certainly by Friday, April 3, please indicate your preference for a TA section on the Econ 50 course website at <http://coursework.stanford.edu>. Also remember to add Econ 50 to your study list in Axess. All homework assignments, answer keys, handouts, and supplementary readings will be available on coursework. Our coursework website will also provide information about office hour times and locations; the TAs and I will use coursework to make course-related e-mail announcements. You are welcome to communicate with me and with your TAs via e-mail. Please note, though, that e-mail is an imperfect substitute for personal contact; please use e-mail only for questions that can be answered via simple text-only responses, or to request an appointment.

Homeworks

Homeworks will be assigned approximately every week, and will be due at the beginning of your TA section meeting unless otherwise announced. If you are unable to hand in an assignment during section, due to travel plans or other conflicts, you can submit your homework early or via fax. Make sure, though, that you make these arrangements by notifying me or your TA *beforehand*. No late homeworks will be accepted. I will drop your lowest homework score in calculating your final grade, so you will not be penalized if illness, travel, emergency, stress, or laziness should cause you to skip one assignment. Please take the homeworks seriously: Econ 50 is a "problem-solving" course, and careful work on the homework assignments will be good preparation for the midterm and final exams.

Midterm and final exam

There will be one midterm exam during class on Thursday, April 30; the final exam will be on Tuesday, June 9, from 3:30 to 6:30pm. Note that the time of the final exam is set by university rule. There will be no make-up exams, and no early or late sittings for exams. Varsity athletes or others traveling on official university business may be able to take exams by fax: please contact me at least one week in advance in order to make arrangements. If due to an illness or other emergency, you are unable to take the final exam at the appointed time, but have completed all other requirements for the course, I can give you a grade of "Incomplete" to be resolved by taking the Econ 50 final exam at the end of a future quarter.

Grading

Your final numerical average will be calculated based on your performance on homeworks, class attendance and participation (25%); the midterm (30%); and the final exam (45%). Numerical scores will

not be converted to letter grades until the very end of the quarter. Specific letter grades will never be assigned to individual homework assignments or exams. If, due to an emergency, you are unable to take the midterm exam, your final grade will be based solely on your homeworks and final exam. You must contact me before the exam, though, in order to receive such an accommodation.

Students with documented disabilities

Students who have a physical or mental impairment that may necessitate an academic accommodation or the use of auxiliary aids and services in a class must initiate a request with the Student Disability Resource Center (SDRC). The SDRC will evaluate the request along with the required documentation, recommend appropriate accommodations, and prepare a verification letter dated in the current academic term in which the request is being made. Please contact the SDRC as soon as possible; timely notice is needed to arrange for appropriate accommodations. The SDRC is located at 563 Salvatierra Walk (phone 723-1066 Voice; 725-1067 TTY; <http://www.stanford.edu/group/DRC/>).

Required text

Besanko and Braeutigam, *Microeconomics*, 3rd edition, Wiley, 2008.

The notes you take during class lectures will serve as your single best resource in preparing for exams and homework assignments. Black-and-white copies of my transparencies will be posted online after each class; note, though, that these copies will not include all of the information covered in lectures. Textbook readings will provide additional detail, and will serve as a good complement to (but not a substitute for!) your attendance in class. The Besanko and Braeutigam text is somewhat less mathematical than the approach we will use in class, but it provides a good deal of conceptual detail, industry-based case studies, and examples based on actual empirical research by economists. It will be worthwhile for you to read all of the assigned chapters in full, including the appendices. If your grasp of mathematics (multivariable calculus, unconstrained & constrained optimization) is weak or rusty, you may also wish to review the material presented in the Mathematical Appendix at the end of the textbook. Remember that copies of the textbook are available on reserve in the library. I will at least occasionally assign homework problems directly from the textbook. If you already have a copy of the 2nd edition of the Besanko and Braeutigam textbook, you probably do not need to purchase the 3rd edition; it will be your responsibility, though, to keep track of any differences between the 2nd and 3rd edition texts.

Personal response system

In order to make lectures more interactive, to test and deepen your grasp of course concepts, and to allow me to adapt my lectures to your understanding, we will use a Personal Response System in the classroom this quarter. Please bring your PRS (RF) transmitter to every lecture. You may use the same transmitter

you used in Econ 1A, Econ 1B, or other courses as long as it is of the “new” (radio frequency) variety. Your use of the transmitters will contribute toward your class participation score. Your responses will always be kept confidential; you will never be penalized for entering a “wrong” answer.

Economics Department Common Course Policies

All courses taught in the Stanford Department of Economics are governed by a common set of course management rules. A document explaining these rules is included on our coursework website, and on the Economics Department website at <http://www-econ.stanford.edu/academics/courses.html>. Please be sure to read this document in its entirety, and contact me if you have any questions.

Course lecture schedule (subject to revision)

Date	Subject	Readings* (Besanko & Braeutigam)
Tu 3/31	Course overview; introduction to microeconomics; the analytical approach.	Chapter 1
Th 4/2	Supply and demand analysis; elasticities.	Chapters 1-2
Fr 4/3 (location TBA)	Review of mathematical techniques used in Econ 50 (a “bonus lecture,” instead of TA sections).	
Tu 4/7	Introduction to competitive market outcomes.	Chapter 10
Th 4/9	Preferences; indifference curves.	Chapter 3
Tu 4/14	Utility functions.	Chapter 3
Th 4/16	Budget constraints; optimal consumer choice.	Chapter 4
Tu 4/21	Optimal choice applications; revealed preference.	Chapter 4
Th 4/23	Optimal choice, demand, and demand curves.	Chapter 5
Tu 4/28	Further applications of demand theory; review.	Chapter 5
Th 4/30	<i>Midterm Exam (in class)</i>	
Tu 5/5	Inputs and production functions; returns to scale.	Chapter 6
Th 5/7	Costs and cost minimization.	Chapter 7
Tu 5/12	Cost curves; special topics.	Chapter 8
Th 5/14	Perfect competition; profit maximization.	Chapter 9
Tu 5/19	Supply curves; short-run and long-run equilibrium.	Chapter 9
Th 5/21	Competitive markets: further applications.	Chapter 10
Tu 5/26	Monopoly and monopsony.	Chapter 11
Th 5/28 Tu 6/2	General summary and review.	
Tu 6/9	<i>Final Exam 3:30-6:30pm</i>	

* Additional supplementary readings will be posted in Coursework throughout the quarter.