

Economics 201: Microeconomic Principles

Sections 003, 011, and 101

Spring Semester, 2019

Towson University

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Required texts:

1. Howard Baetjer Jr., *Economics and Free Markets*, Cato Institute (2017)
2. *Principles of Economics: Microeconomics*, available online at MRUniversity, <https://www.mruniversity.com/courses/principles-economics-microeconomics>.

Additional readings will be distributed in class or made available through our Blackboard site.

Recommended text:

Tyler Cowen and Alex Tabarrok, [Modern Principles of Microeconomics](#), Worth Publishers. For those who want a traditional textbook, this may be the best pick, because it will closely match the required videos. Any edition will work.

Recommended Reading:

Economics in One Lesson, by Henry Hazlitt - This has been the single most useful book in my entire economics education. It has short chapters, no graphs, and remarkably clear explanations of basic principles.

The Invisible Heart, by Russell Roberts - This is a romance (yes, it's true) that teaches a lot of good economics. I recommend it highly, especially for the romantics among you.

The Price of Everything, by Russell Roberts - This novel is a wonderful exploration of the economy as a spontaneous order, and a fun story as

well. If you read only one extra book, I'd like it to be this one, because this book so clearly and enjoyably reinforces the main ideas of the course.

Free Our Markets, by Howard Baetjer Jr. – This book shows, in non-technical language with stories and thought experiments, why people flourish better, the freer the markets they live in.

The Wall Street Journal - A great way to keep up with current economic news and to improve your ability to apply economic theory to the real world.

Other Resources -- The Economics Department's Web Site: The economics department has a useful web site. Its internet address is <http://www.towson.edu/cbe/departments/economics/>. In particular, note the "[Research Resources](#)" entry, which contains links to a wide variety of economic data and news sources. You will not need to use such data in the course, but if you'd like to look something up, you can probably find it here.

Purpose of the Course: The course has two purposes. The main goal is to help students appreciate the immense value of the market economy to humanity. Within a relatively free economy, most people live well, and their well-being improves dramatically as time passes. Outside of a relatively free market economy, most people live poorly and their well-being stagnates. The main goal of the course, then, is to help students understand *why and how* economic freedom fosters human well-being. The related, second goal of this course is for students to learn the economic way of thinking and begin to use it to make sense of the social world.

Course Description: Economics has been aptly described as "the study of mankind in the ordinary business of life." That is our topic for the term. More particularly, this is a course in *microeconomics*, also called "price theory." We will study the behavior of individual people and organizations, in both the private and public sectors, as they make their decisions and interact with one another. An essential part of human interaction through markets is the *price system*. Prices—prices set freely on the market—are precious. We'll study how prices are determined and how ever-changing prices allow the world's people to coordinate our activities very well, even though we are all pursuing different goals and nobody is in charge.

We will also discuss the role of the essential underlying institutions of the market economy: *private ownership* and *freedom of exchange*.

Course Catalog Description, and Goals and Objectives Common to All Econ 201 Sections:

Course Catalog Description: Economic reasoning of individual choice in household and market decisions. Economic reasoning of individual choice in household and market decisions; behavior of firms in competitive and noncompetitive markets, functioning of labor and capital markets, role of the entrepreneur and effects of government policies. GenEd II.C.2; Core Curriculum Requirement II. 6.

Fulfillment of University Core Curriculum Requirements: Economics 201/203 is a part of the university's Core Curriculum for social and behavioral sciences. On completing the course, students should be able to:

- Articulate relevant basic assumptions, concepts, theoretical constructs and factual information of the social and behavioral sciences.
- Demonstrate an understanding of relevant social and behavioral science methodologies.
- Apply appropriate problem-solving skills in discipline specific contexts.
- Apply disciplinary knowledge from the social and behavioral sciences to contemporary ethical or social issues.

Fulfillment of General Education Requirement: Economics 201/203, which satisfies the Category II.C.2 (Western Heritage: Social and Behavioral Sciences) General Education Requirement, builds on the logic of individual choice, using concepts like value and cost, to promote understanding of social institutions that arise from perceptions of mutual gain. These institutions include domestic and international markets for goods and resources, nonmarket arrangements like families and clubs, and political processes.

Although microeconomics is applicable even to non-Western cultures like isolated tribes, historically the science emerged to explain the undesigned coordination achieved by the extensive markets that result from Western political and philosophical heritage. Its most important role is still to provide a framework for understanding and critically assessing the markets that largely characterize Western civilization.

Learning Objectives: After successful completion of Microeconomic Principles, you will be able to (1) demonstrate an understanding of the factors that determine demand and supply, (2) demonstrate an understanding of the factors that cause a change in quantity demanded or supplied versus a change in demand or supply, (3) illustrate, by properly interpreting standard economic graphs, how markets (interactions of demand and supply) determine prices and the way in which resources are used, (4) understand and be able to explain the significance of the concept of "opportunity cost," and (5) illustrate the use of the concept of "comparative advantage" and how it serves as the foundation for international trade.

Program Learning Goals: Achievement of one or more of the following College of Business and Economics "Knowledge, Skills, and Attitudes" will be assessed in this course: "Use problem-solving techniques" (KSA 2a), "Use adaptable, flexible thinking" (KSA 2b), and/or "Know, apply, and integrate the content in one's major" (KSA 5a). A short in-class quiz, covering the KSAs from this list that are to be assessed this semester, will be administered to the class late in the semester.

Some Applicable University Policies:

Students with disabilities: If you have a documented disability and require accommodations, please contact me at the beginning of the semester and when given an assignment for which an accommodation is required. Please verify your eligibility through the Office of Disability Support Services (AD 232).

Repeating the course: According to University policy, all students may repeat any course once. If repeating, you are advised to inform the instructor. For a third attempt, the student must obtain prior written approval from the Academic Standards Committee. If students enroll for a third attempt without permission, they do so at their own risk.

Withdrawing from the course: Please note that the last day to drop the course as noted in the online Academic Calendar is **Monday, April 8**. Students who drop on or before this date will receive a "W" on their official transcript. Those who drop afterwards must receive a regular letter grade.

Attendance and Preparation: *I expect students to have **studied** all assigned readings and watched all assigned videos by the class meeting for which they are assigned.* Prepare carefully. Doing so will greatly increase the amount you learn.

I expect students to attend *every* class meeting. I take roll at every class. If for some good reason you must miss a class, I appreciate the courtesy of your letting me know why at your first reasonable convenience (preferably before the class you miss).

Though I earnestly want you to attend every class, attendance as such does *not* count toward your grade; you receive no credit for perfect attendance nor any deduction for never showing up. Attendance counts only indirectly in that attending regularly will help you learn more and therefore score better than you otherwise would on the exams, and avoid zeroes on the in-class quizzes.

Online logistics: This course makes use of two different online systems, the course Blackboard site at <http://blackboard.towson.edu/>, and Facebook.

Blackboard: We will use Blackboard, a web-based system for facilitating academic course delivery. In particular, on the course Blackboard site I generally post outlines (and some PowerPoint presentations) for class presentations. You may go get them and download them or print them as you please. They are in Course Documents.

Note that because I recently revised the course to make use of online resources and save students money on textbooks, I may be posting new outlines as the course goes along.

In addition, we will use Blackboard for weekly quizzes on the extra (i.e., not on MRUniversity or in *Economics and Free Markets*) assigned readings and videos. See "In-class quizzes" under "**Course requirements**" below for a description of these quizzes.

The university software is supposed to enroll you in this course's Blackboard site automatically when it enrolls you in the course. Please check that it has done so at <http://blackboard.towson.edu/>. Instruction on how to use Blackboard is available here: <http://www.towson.edu/technology/training/blackboard/students.html>.

Facebook: We will also have a Facebook group. This group is for the use of students enrolled in my sections of micro principles. Please ask me questions on the Facebook group page rather than by email so that others with the same question can see my answer. (Of course send private questions by email.) All students in the course may use this group as they see fit for course purposes. Please stick to course business and economics; use good judgment about what belongs there and what does not. Please be courteous and helpful to one another. Here is its address:

<https://www.facebook.com/groups/386495781916891/>. At your first convenience, please send me a request to join this group.

IMPORTANT: All my announcements about assignments, schedule changes, policy changes, syllabus changes and anything else of importance I will post on the Facebook group page, not on Blackboard, and not by email. Set “Notifications” on the group page to “All posts” to make sure you do not miss anything.

Grading Procedures: Grades for this course will be based on students’ scores on (1) the practice questions that follow the video lectures on MRUniversity’s *Principles of Economics*, (2) weekly in-class quizzes on other required reading and videos, (3) two hourly examinations, and (4) a cumulative final examination.

Online practice questions	10%
In-class quizzes	10%
1 st hourly exam	24%
2 nd hourly exam	24%
Final exam	<u>32%</u>
Total	100%

Grades are based exclusively on the competence in economics students demonstrate on the course quizzes and exams. No individual extra credit work is assigned or accepted, so please do not ask me about it. I determine final grades strictly by the numbers, with no curve and no mercy. I do my best to determine all final grades without knowing which students have earned what grades.

The grading scale is as follows:

93 - 100	A	Grades in the A range are awarded only for excellent work, work that shows mastery of the subject.
90 - 93	A-	
87 - 90	B+	
83 - 87	B	Grades in the B range indicate good work, work that shows significant grasp of the subject.
80 - 83	B-	
77 - 80	C+	
70 - 77	C	Grades in the C range indicate satisfactory work.
67 - 70	D+	
60 - 67	D	
0 - 60	F	We all know what D and F mean.

Course Requirements:

Studying the assigned video lectures, other videos, and readings: This year, for the first time, I am not assigning a traditional textbook. Instead, I assign my own short book *Economics and Free Markets, An Introduction*, and most of the online lectures at MRUniversity’s *Principles of Economics: Microeconomics*. These are the main

“textbooks” for the course. I encourage you really to *study* them; do not just read quickly or watch once. Bring any questions you have to class, or ask me on our Facebook group page.

(I have hesitated to switch from a paper textbook to online lectures, but paper textbooks have become more expensive while free online lectures have gotten better. I think it is time to switch, particularly because I think MRUniversity’s lectures are so very good. Let’s hope it works well for us.)

In addition to the economics lectures at MRUniversity, in recent years a lot of good economics instructions has been made available online. I assign several hours’ worth of this over the term. I hope you will find it instructive and fun.

There are also some extra readings assigned online; some of these, notably those by Frederic Bastiat on trade, are among the most valuable elements of the course (and very timely during Donald Trump’s trade war).

Answering the practice questions that follow video lectures at MRUniversity: Each main topic at MRUniversity’s *Principles of Economics: Microeconomics* is addressed in a series of short video lectures. Almost every video lecture has a few practice questions at its end. You are required to answer all the practice questions on all the videos assigned. Your correct answers to all the practice questions for all the videos assigned for any particular day will determine your score for that day, and each day’s score will count the same amount, regardless of how many questions there might be.

My purposes in requiring that you answer all these practice questions are 1) to give you an incentive to study the videos, and 2) to help me discern what my students understand readily easily and what they struggle with.

Your average grade on these practice questions will make up ten percent of your term grade. I care much more that you give the questions a conscientious effort than that you answer them correctly. Accordingly, I will grade each day’s answers on a curve whereby 70 percent (or better) correct will earn full credit, 35 percent correct will earn half credit, and so on. (Equivalently, my spreadsheet will multiply your percentage score on each day’s questions by 1.429 to determine your grade, with a maximum grade of 100 percent.)

To receive credit for your answers to these MRUniversity practice questions, YOU MUST BE LOGGED IN so the system knows your answers are yours. Early in the term I will send out instructions on how to log in. Make sure to log in before you submit your answers.

Note that the *first* answer you give to each question is the answer that will be graded. (The system lets you keep trying until you answer correctly.) I grade only your first answer to motivate you to concentrate as you watch the lectures, and learn well enough to answer most questions correctly the first time.

The deadline for answering practice questions is 6:00 a.m. of the day for which the corresponding video lecture is assigned. That will always be the day of the first class meeting of the week unless the syllabus assigns that lecture “*For second class meeting of the week.*”

This part of the course is new, both to the course and to MRUniversity. I will welcome your help in refining it to make it work as well for you as possible.

In-class quizzes: To motivate and reward you for watching the additional videos (additional to the MRUniversity videos which are the “textbook” for the course) and for doing the extra reading thoughtfully, at the beginning of the final class meeting each week, I will give a two-minute, two-question multiple-choice quiz on the required readings and extra videos for that week. The questions will aim to ascertain that you done the work.

You will take these quizzes on Blackboard. Each student must bring to class a Blackboard-capable wireless device, such as a smartphone, iPad, or laptop, on which to take the quiz. I will give no make-up quizzes for any reason, but I will drop the two lowest quiz grades.

Late or missed exams: Exams must be taken at their scheduled times except in extraordinary circumstances, with my specific permission. If some emergency prevents you from taking an exam on schedule, you must present a *written* (email is okay) explanation of the problem *before* the exam, or *as soon as possible* afterwards, so that we can make alternative arrangements.

Academic Integrity: This should go without saying, but let us say it anyway: Be honest. Present as your own work only your own work. Your character development is far more important than your grade. Practice integrity in your actions and you will build it in yourself.

I will deal severely with any sloppiness in this respect. Anyone who cheats will fail the course.

Cell phones, laptops, tablets and other electronic devices: Please use good judgment with these. Make sure you do not use them in any way that might inhibit anyone’s learning, including your own.

Please turn cell phones to *silent* or *off* during class and put them where you cannot see them so they do not distract you. Please look at your phone during class only if you have some important reason to do so; in such cases please tell me ahead of time why you must monitor the phone. Feel free to use a laptop during class to take notes, but please use it only for work in this course. While you are in class, please give the class your full attention.

Turn all electronics completely off during midterms and the final exam unless you get my permission to have some device on then.

Recommendations for how to succeed (learn a lot and get a good grade) in this course: Do #1 right now and #2 - #7 in sequence every week. Do #8 as necessary.

1. Make up your mind to *think*. If you try to get by in this course by memorizing, you'll probably get a lousy grade and have no fun. If you aim really to *understand* the principles, you will probably get a good grade and enjoy yourself. What we are studying is great stuff with tremendous explanatory power in almost every area of life.
2. Get enough sleep. It is remarkable how much better our minds work when they are rested.
3. Study the required readings and videos thoroughly. Do so while you are rested, in a quiet place, in a nice long block of uninterrupted time. Read actively: underline and make marginal notes of key ideas, questions, useful illustrations and the like in the readings, and make notes of the main ideas in the videos so that you can review those notes for the tests.
4. Work on the practice questions after the MRUniversity video lectures until you are comfortable with the concepts they cover.
5. Speak up in class. Ask questions whenever you do not understand something. Take a shot at answering my questions as often as you can, within the bounds of courtesy to others. Articulating your thoughts helps you develop them.
6. Come see me during office hours on anything that has you excited, troubled, or stumped. I love teaching this stuff. You will not be a burden; I will be glad to see you.

Course Outline

The readings and video-watching assignments for each week are given in the table below.

I may assign additional handouts, web readings or videos from time to time. If and when I do, I will announce them on our course Facebook group page.

In the schedule below, "*EFM*" stands for *Economics and Free Markets, an Introduction*, by Howard Baetjer Jr. This is the companion book to a lecture course entitled *Foundational Concepts in Economics*, available free online. Either read the book or watch the lectures, or do both if you find that worthwhile. "*MRU*" stands for MRUniversity's *Principles of Economics: Microeconomics*.

Week of	Reading and Video-watching Assignments
Jan. 28	To read: "I, Pencil" (handout in class); this course syllabus (online) <i>For second class meeting of the week:</i>

	<p>To watch: John Stossel: Is America #1? through 16:24 [16:24]; Planet Money Makes a T-shirt (please read the accompanying text also) [13:40 plus text]; FI\$H! How An Economy Grows, episodes 1-4 [37:00]</p> <p>Recommended for review of first class presentation: Howard Baetjer, Foundational Concepts in Economics, Lecture 8, “Prices Communicate Dispersed Knowledge,” and <i>EFM</i>, chapter 8.</p>
Feb. 4	<p>To read: <i>EFM</i>, chapters 1-4, and/or watch Foundational Concepts in Economics, lectures 1-4; Dwight Lee, “It’s the Margin that Counts” and “Running Out of Agricultural Land”;</p> <p>To watch: MRU, Introduction to Microeconomics Antony Davies, What’s So Great About Economic Freedom? [4:24] Acton Institute, Economic Freedom in 60 Seconds [1:00] Don Boudreaux, Subjective Value [3:50] Angela Dills, Incentives Matter [2:15] Tom Bell, Can Order be Unplanned? [3:26] Art Carden, The Broken Window Fallacy [3:09] Mario Villareal, Thinking at the Margin [4:31] Mario Villareal, Opportunity Cost [3:56] Steven Horwitz, Are the Poor Getting Poorer? [3:26] FI\$H! How An Economy Grows, episodes 5 and 6 [19:00]</p> <p>Recommended for review of what is covered in class this week: Howard Baetjer, Foundational Concepts in Economics, Lectures 1-3</p>
Feb.11	<p>To read: <i>EFM</i>, chapters 5-7, and/or watch Foundational Concepts in Economics, lectures 5-7.</p> <p>To watch: MRU 2 “Supply Demand, and Equilibrium” the first five lectures (deadline for practice questions 6:00 a.m.); FI\$H! How An Economy Grows, episodes 7 and 8 [21:00]</p> <p>Recommended for review of what is covered in class this week: Howard Baetjer, Foundational Concepts in Economics, Lecture 5, “Demand”</p>
Feb. 18	<p>To watch: MRU 2 “Supply Demand, and Equilibrium” the last five lectures (deadline for practice questions 6:00 a.m.); Dan Smith, The Price System 1 of 2 [2:25] Dan Smith, The Price System 2 of 2 [3:03] Mike Munger, What Do Prices Know That You Don’t? [4:33] FI\$H! How An Economy Grows, episodes 9 and 10</p> <p>Recommended for review of what is covered in class this week: Howard Baetjer, Foundational Concepts in Economics, Lectures 6-7</p>
Feb. 25	Study for first hourly test.

	<p>First hourly test, first class meeting of the week. Please bring a pencil.</p> <p><i>For second class meeting of the week:</i></p> <p>To read: EFM, Chapter 8 and/or watch Foundational Concepts in Economics, lecture 8.</p> <p>To watch: MRU 5, "The Price System" (deadline for practice questions 6:00 a.m.);</p> <p>Recommended for review of what is covered in class this week: Tomasz Kaye and Howard Baetjer Jr., What If There Were No Prices? [6:40]</p>
Mar. 4	<p>To watch: MRU 6, "Price Ceilings and Price Floors," lectures 1-7 on price ceilings (deadline for practice questions 6:00 a.m.); Matt Zwolinski, Is Price Gouging Immoral? Should it be Illegal? [5:03]</p> <p><i>For second class meeting of the week:</i></p> <p>To watch: MRU 6, "Price Ceilings and Price Floors," lectures 8-11 on price floors (deadline for practice questions 6:00 a.m.); Don Boudreaux, Is Raising Minimum Wage a Bad Idea? [3:27]</p> <p>Recommended for review of presentations in class this week: EFM, chapter 9 and/or watch Foundational Concepts in Economics, lecture 9;</p>
Mar. 11	<p>To watch: MRU 3 "Elasticity and its Applications"; and 4 "Taxes and Subsidies" (deadline for practice questions 6:00 a.m.)</p> <p><i>For second class meeting of the week:</i></p> <p>To read: Randall Holcombe's, "The Drug Problem" (here, pp. 47-49)</p>
Mar. 18	<p>SPRING BREAK</p>
Mar. 25	<p>To read: Fred I. Kent's "Letter to His Grandson";</p> <p>To watch: Donna Matias, Are Entrepreneurs Modern Day Heroes? [2:06] Steve Davies, The Most Important Invention You Never Thought About [3:34]</p> <p>Recommended for review of presentation in first class meeting of the week: EFM, chapter 10, and/or watch Foundational Concepts in Economics, lecture 10</p>

	<p><i>For second class meeting of the week:</i></p> <p>To watch: MRU 8 “Externalities” (deadline for practice questions 6:00 a.m.); Sean Mulholland, Negative Externalities and the Coase Theorem Mike Munger, Externalities and Potato Chips</p>
Apr. 1	<p>To watch: MRU 14 “Public Goods and the Tragedy of the Commons” (deadline for practice questions 6:00 a.m.); Sean Mulholland, Tragedy of the Commons / Open Access Resources Problem [3:19]</p> <p>Second hourly test, second class meeting of the week. Please bring a pencil.</p>
Apr. 8	<p>To watch: Antony Davies, “Public Choice Theory: Why Government Often Fails” [33:06] Mark LeBar, How is Government Special? [30:25] Milton Friedman: Monopoly [4:17] Jason Brennan, How Cronyism is Hurting the Economy [3:36] Matt Zwolinski, Who Exploits You More: Capitalists or Cronies? [2:37] Reason.tv, The Fall of Tams #6, How LA Regulated A Burger Stand Out of Existence [5:10]</p> <p><i>For second class meeting of the week:</i></p> <p>To watch: Donna Matias, The Vanishing Entrepreneur [3:36] Roger Meiners, How Dirty Laws Trash the Environment [3:05] John Stossel, Save the Rhinos [5:07]</p>
Apr. 15	<p>To watch: Institute for Justice, Louisville food truck restrictions [2:08] Institute for Justice, Virginia CON Job [3:43] Institute for Justice, Little Rock taxi monopoly [1:36] Institute for Justice, Wisconsin home-baked goods ban [2:58] Institute for Justice, Baltimore tries to crush Pizza Joey [3:10] Institute for Justice, Minnesota winery restrictions [3:42] Institute for Justice, The Fight for Braiding Freedom [5:34] Institute for Justice, Licensed dentist attacked for charging too little [2:23] Tomasz Kaye and Howard Baetjer Jr., How Do Free Markets Regulate Product Safety? [4:40] Diana Thomas, Why Is There Corn in Your Coke? [3:24] Milton Friedman: Market Failure [4:31]</p>

	<p><i>For second class meeting of the week:</i></p> <p>To read: Michael Munger, "Unicorn Governance" (Recommended) Milton Friedman, Health Care in a Free Market [9:02]</p> <p>Recommended for review of this week's class presentations: EFM, chapter 11, and/or watch Foundational Concepts in Economics, lectures 11 and 12 (the online lectures are much more substantial than the book chapter in this case)</p>
Apr. 22	<p>To read: EFM, chapter 4 (again) Frederic Bastiat, "A Petition";</p> <p>To watch: MRU 7 "Trade" (deadline for practice questions 6:00 a.m.);</p> <p><i>For second class meeting of the week:</i></p> <p>To watch: Art Carden, Trade is Made of Win 1 of 3 [2:46] Art Carden, Trade is Made of Win 2 of 3: Cooperation [2:43] Art Carden, Trade is Made of Win 3 of 3: Conservation [2:17] educatingforjustice.org, Nike Sweatshops: Behind the Swoosh [20:29] Matt Zwolinski, Three Reasons Sweatshops are Good for the Poor [5:12] (Recommended) Ben Powell, Sweatshop Wages and Third-World Workers: Are the Wages Worth the Sweat? [35:31]</p> <p>Recommended: Howard Baetjer, Foundational Concepts in Economics, Lecture 4, "Comparative Advantage and Division of Labor"</p>
Apr. 29	<p>To read: Frederic Bastiat, "Something Else";</p>
May 6	<p>To watch: Antony Davies, Funding Government By the Minute [4:15] Antony Davies, Does Government Have a Revenue or a Spending Problem? [2:47] Review. Practice problems to be handed out in class</p> <p><i>For second class meeting of the week:</i></p> <p>To read: "Readings for the final exam," available on Blackboard. One main final exam question will be based on these readings.</p>
Dec. 3	Review. Practice problems

Final Exams: Section 003, Wednesday, May 15, 3:00-5:00; Section 011, Thursday, May 16, 3:00-5:00; Section 101, Thursday, May 16, 5:15-7:15. Please

bring a pencil, and please double-check me on these dates and times against [the university calendar](#).