

Economics 2202

Microeconomics

Principles of Economics II (Video)

Student Course Materials

Flexible Learning in the

Learning Commons

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Notes:

Catalog Description Including Prerequisites

ECONOMICS 2202

(IAI S3 902)

Microeconomics and the Global Economy

3 credit hours

A study of consumer behavior, supply and demand, price determination, market structures, factor pricing, international trade and finance, and economic development. Special topics may include agricultural economics, the economics of risk, environmental economics, and alternative economic systems. Prerequisite: A score of 53 or higher in algebra domain of Math placement Test and successful completion of Economics 2201 is recommended.

Course Goals & Expected Student Outcomes

This course covers the principles of microeconomics. As a result of taking this course you will have a better understanding of the organization of the private sector in the U.S. economy. In addition, you will be able to evaluate the proper role for government in a market economy and to describe the link between the U.S. economy and the world economy.

Upon successful completion of this course the student will be able to:

1. ***Determine*** the elasticity of demand and supply
2. ***Derive*** a consumer's demand curve, and a firm's short-run and long-run cost curves
3. ***Compare*** the different market structures which exist in the U.S. economy
4. ***Determine*** the profit-maximizing output level for competitive and noncompetitive firms
5. ***Understand*** why there are market failures and what type of policies government uses to regulate market behavior
6. ***Derive*** a labor market and analyze the impact which unions have on a labor market
7. ***Describe*** how income distribution is measured.

8. *Describe* the role of the U.S. in the global economy

Course Objectives

Upon successful completion of the course the student should be able to do the following:

1. *Analyze* supply and demand in the context of elasticities and explain the implications of these on consumer surplus, public policy, and the behavior of markets
2. *Analyze* and evaluate the behavior and limitations of a competitive market place
3. *Analyze* and describe the various forms of market structure and their implications for pricing, economic performance and possible governmental action
4. *Describe* and differentiate among the various returns to factors of production
5. *Analyze* and describe the issues involved with income inequality and the problems and opportunities of economic development
6. *Describe* and analyze the utility theory of consumer choice and behavior
7. *Identify* and analyze the affects of externalities on economic welfare and evaluate the various ameliorative measures which might be taken

Course Materials

You will need the following materials to successfully complete this course. Books are available from the College of DuPage Bookstore and at local college bookstores.

Required:

Textbook: MICROECONOMICS, by McConnell, Brue and Flynn, 19th Edition, McGraw-Hill Irwin, 2012.

Study Guide: STUDY GUIDE for MICROECONOMICS, by Walstad, 19th edition, McGraw-Hill Irwin, 2012.

Video Lessons

Video Lessons MICROECONOMICS: CHOICES AND CHANGE, produced by Dallas Telelearning. (Videos #3-12)

Several options are available for viewing video lessons.

- Video lessons may be available for rental for the entire term from the main campus Library in Glen Ellyn or the Off-Campus Learning Centers at Bloomingdale, Naperville, or Westmont for a nominal fee. Most video lessons are in DVD format, some in VHS format. Contact the location from which you are renting for additional information.
- Rent *Microeconomics: Choices and Change* lessons in DVD format for the entire term from the Library in Glen Ellyn or the Off-Campus Learning Centers for a nominal fee.
- View video lessons at the main campus Library in Glen Ellyn or the Off-Campus Learning Commons.

For more information about the Library, visit www.cod.edu/library. Visit <http://www.cod.edu/academics/resources/flexlearning/index.aspx> for hours and other information about the Flexible Learning.

Delivery System

This course is offered through Flexible Learning in the Learning Commons and is designed to offer the student a flexible method of completing the course material for an introductory microeconomics course. This method of learning is different from other methods only in the manner in which the material is presented. The content is the same; however, the student is self-paced and not bound by the regular schedule required by more traditional forms of courses which require attendance at predetermined lecture and meeting times. The videos are included in the course material in order to help the student. However, the unit exam questions are only based on the material in your text book.

There will be specified office hours when the student can contact the instructor.

Turning In Assignments by Email

Students may turn in video lessons or problem sets via email according to the following instructions.

1. Students must use their COD email accounts to turn in assignments.
2. Assignments must be in the form of a Microsoft Word (doc or docx), Rich Text Format (rtf) or pdf file.
3. The file name consists of the student's last name followed by the name of the assignment, for example: Jones choices and change video 7.
4. Attach the file to an email.

Orientation

No orientation is required for this course. You may arrange for an individualized orientation by contacting the instructor during scheduled hours; these hours are also noted on the Contact Information and Availability sheet. This information is posted on Blackboard. It is helpful if you read through your packet first and then call or email your instructor with specific questions.

Exams and Evaluations

There are five units that the student is required to complete for this course. Each unit covers three to five chapters and for each of these units there is a graded unit assignment and exam.

Each exam will consist of fifty multiple-choice questions each of which will be worth two points.

For each exam there is an A and B form, so you are able to retake each of the unit exams. The higher of the two scores will be used to calculate your final grade. When preparing for these exams you should concentrate on the application of the key terms and concepts contained in each chapter rather than simply memorizing these terms and concepts.

In addition, it is highly recommended that the student complete the unit self-test contained in the course handbook prior to taking the unit exam. This self-test does not need to be submitted to your instructor.

The following table indicates the chapters which are covered in each unit:

<u>Unit</u>	<u>Chapters Covered</u>
1	3, 2, 6, 16 (pages 336-346)
2	4, 7, 8, 9
3	10, 11, 18
4	12, 13, 14, 20
5	23, 5, 17

For the student who selects the video format for Economics 2202, there will also be ten video assignments. Each of these assignments will consist of three to four questions relating to the video.

Grading Policy

Your grade will be based on the following course requirements:

five homework assignments (fifty points each)	=	250 points
ten video assignments (ten points each)	=	100 points
five unit exams (one hundred points each)	=	<u>500</u> points
Total	=	850 points

and your final grade will be determined based on the following grading scale:

A = 755 - 850 points (89 - 100%)
B = 670 - 754 points (79 - 88%)
C = 575 - 669 points (68 - 78%)
D = 480 - 574 points (57 - 67%)
F = Below 480 points (less than 57%)

Testing Locations

Tests for this course may be taken at the Testing Center in Glen Ellyn (BIC 2405) or one of the Off-Campus Learning Commons in Bloomingdale, Naperville and Westmont. Students are required to comply with the Deadline Dates, posted on Blackboard in the Deadline Dates link and comply with specific testing instructions provided by the instructor. Appointments are not required for testing.

When you are ready to take a unit exam, sign in at the front desk. You will be expected to write in the date, course name and number, the instructor's name, test number, and time the exam is taken. You must present a photo ID as well. You may not use notes or books during the exam. No food, drink, pagers or cell phones are allowed in the testing room.

All tests must be completed in one sitting. All tests will be collected 10 minutes prior to closing. It is important for you to plan sufficient time to complete your test within the Center's hours. No additional time will be given to complete a test. No tests are distributed 30 minutes prior to closing.

Scores of the exams are available from the instructor. A progress report may be mailed to the student, or the student may view the test results at the location where they are registered. You must show a picture ID to view your results.

Satisfactory/Fail (S/F) Grade Option

The S/F grade option is available to students in this course. It may be issued under the following conditions:

1. The student must request it prior to mid-term.
2. A written statement must be completed and signed by the student and the instructor. Grade option forms will be submitted to the Registration Office no later than 1 week prior to the end of the term.
3. Students must have achieved a minimum of 450 points in the course to receive a satisfactory (S) grade. A student who does not obtain the respective minimum points will be given an F grade.
4. Once an S/F grade has been registered with the Records office, it cannot be changed.
5. With the S grade you will be given credit for Economics 2202, but the S grade will not be computed in your GPA. The F grade will be used in computing the GPA.

Incomplete Policy

Upon the request of a student, the instructor may give an incomplete or "I" grade when a student has been unable to complete the course within the prescribed time for some unavoidable reason. A substantial portion of the course must be completed to qualify for an "I" grade. The student is responsible for contacting the instructor regarding course completion. The "I" grade may be changed within the time limits established by the instructor. The student must sign a "Contract for Incomplete Grade" form with the instructor before an incomplete grade can be issued. Further information concerning the "I" grade may be found in the College catalog.

An "I" grade will be given only when all the following conditions are met:

1. The student must request it prior to the end of the term.
2. A contract must be filled out and signed, indicating work to be completed and the completion date.
3. The student must have completed at least one-half of the course requirements by the end of the term with a grade of C or better.

All incomplete work must be completed by the contracted date and not later than the end of the following term. Exceptions may be made by special arrangements with the instructor.

Withdrawal Policy

Course Withdrawals

Students are encouraged to consult directly with the instructor when considering a course withdrawal. The student may withdraw from a course by contacting the Registration office up to the mid-term date of the class. Thereafter, a grade will be assigned which reflects the student's actual performance in the class. Exceptions require an agreement with the instructor and the student. Written permission to withdraw signed by the instructor must be presented to the Registration office by the student prior to the end of the term.

Medical Withdrawals

Requests for medical withdrawals should be made to the Dean of Enrollment Services. Send medical forms to Student Registration Services, SSC 2221, (630) 942-2687. Requests should be made in writing and accompanied by documentation from a physician or medical institution to verify the medical condition, date of onset and estimated length of treatment. [Request forms for medical withdrawals](#) are reviewed individually. Refunds are issued when appropriate within the guidelines of the College of DuPage refund policy. You will receive written notification of the decision within three (3) weeks from the office of the Student Registration Services.

Administrative Withdrawals

Students not actively pursuing the completion of course objectives may be withdrawn from the class by the instructor any time up to two weeks prior to the end of the term and given a grade of "W" without an official withdrawal through the Registration office.

Plagiarism/Academic Dishonesty Policy

All work submitted for credit must be completed by the student who is registered for the course. Disciplinary action will be pursued in all instances in which it is determined that academic dishonesty has occurred. Academic dishonesty can include the dishonest use of course materials such as student papers and exams.

Library Information

The College of DuPage Library has a wealth of information in both print and online formats. The Library homepage is found at <http://www.cod.edu/library>. To access the online sources,

click on Article Databases under the Quick Links heading. You may access these databases from within the Library or from the Off-Campus Learning Commons with a College of DuPage library card. You will need to come to the Library or the Off-Campus Learning Commons to get a card.

The Library is located in the Student Resource Center (SRC) building at the Glen Ellyn campus.

Additional information regarding the current Library hours and services can be obtained by visiting their web site at www.cod.edu/library.

Computer Use

The Library computers may be used for more than accessing the Library Catalog and online sources. You can also use Microsoft Word, Excel, PowerPoint, and Access.

Learning Commons computers are intended for all Flexible Learning students; therefore, use must be restricted to tasks that take less than 30 minutes. You may use tutorials and review course materials with your instructor. Access is granted on a first-come, first serve basis.

Academic Computing Center (ACC) is located in the Student Resource Center (SRC) room 3600. The Academic Computing Center is open for use by individuals registered at College of DuPage, as well as, community residents.

Off-Campus Learning Commons welcome Flexible Learning students to use the computers. Access is granted on a first-come, first serve basis. To use computers at an Off-Campus Learning Commons, the person must be currently enrolled at the College of DuPage and have a photo ID.

At all College of DuPage computer labs, you are expected to work independently and bring your own storage media for your work. No peripheral equipment (e.g. calculators, laptop computers, or mice) may be attached to any computer in the Learning Commons. Students may NOT install software or programs on any computer in the computer labs.

Notes:

Section 3: Course Map

<i>Number</i>	<i>Required Text</i>	<i>Activity</i>	<i>Videotape</i>	<i>Exam Number</i>
1: Analysis of Market Equilibrium and Consumer Choice	Chapter 3: Demand, supply and Market equilibrium Chapter 2: The market system and the circular Flow Chapter 6: Consumer Behavior Chapter 16: Public Finance: Expenditures and Taxes (pages 336-346 only)	Unit Assignment 1 Self Test 1	Videos #3, 4, 6	1
2: Analysis of Elasticity, Production Costs, and Perfect Competition	Chapter 4: Elasticity Chapter 7: Business and the Cost of Production Chapter 8 Pure Competition in the short run Chapter 9 Pure Competition in the Long Run	Unit Assignment 2 Self Test 2	Videos #5, 7, 8	2
3: Analysis of Noncompetitive Markets and Antitrust Policy	Chapter 10 Pure Monopoly Chapter 11: Monopolistic Competition and Oligopoly Chapter 18: Antitrust Policy and Regulation	Unit Assignment 3 Self Test 3	Videos # 9, 10	3
4: Analysis of the Labor Market, Income Distribution, and the Environment	Chapter 12: The Demand for Resources Chapter 13: Wage Determination Chapter 14: Rent, Interest and Profit Chapter 20: Income Inequality, Poverty, and Discrimination	Unit Assignment 4 Self Test 4	Videos # 11, 12	4
5: Analysis of the U.S. in the Global Economy Analysis of Public Goods, and Public Choice	Chapter 23: International Trade Chapter 5: Market failures: Public Goods and Externalities, Chapter 17: Asymmetric Information, Voting and Public Choice	Unit Assignment 5 Self Test 5		5

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Notes:

Section 4: Course Handbook

Foreword

How to Use the Handbook Section

This handbook is designed to assist you in comprehending the principles of microeconomics. For each unit covered in this handbook there will be a list of objectives and key terms. For these key terms it is more important that you understand the relevance and application of these terms rather than just memorizing the definition of these terms. In addition to the objectives and key terms, this handbook will also include a representative self-test and the unit assignments. The self-test should indicate how well you have understood the important economic concepts covered in each unit. This self-test is ungraded and does not have to be submitted to your instructor. However, the unit homework assignments will be graded and should be submitted to and graded by your instructor prior to your taking a unit exam.

Notes:

Unit 1: Analysis of Market Equilibrium and Consumer Choice

Objectives

At the completion of this unit you will be able to:

- **Describe** the determinants of demand and supply
- **Explain** the difference between a change in demand (supply) and a change in quantity demanded (supplied)
- **Use** supply and demand curves to find equilibrium price and quantity
- **Understand** the applications
- **Describe** the causes of market failure
- **Understand** the basis of the law of demand

Key Terms

In the **Microeconomics** textbook, refer to the following pages: 65, 43, and 130

Learning Activities

Read Chapters 3, 2, 6, and 16 (pages 336-346) in the textbook.

View Video #3 – “Supply and Demand”, Video #4 – “Applications of Supply and Demand”, and Video #6 – “Consumer Choice”.

Submit video assignments # 1-3 unit assignment #1 to be graded by your instructor.

Complete the unit self-test.

Exams

Take the “A” form of the Unit 1 exam. If you are not satisfied with your grade on this exam you should restudy Unit 1 and then take the “B” form for this unit.

Assignments

Video Assignment 1 (Video #3 – “Supply and Demand”)

1. List the determinants (demand shifters) of demand and describe how they affect the demand curve as shown in the video.
2. List the determinants (supply shifters) of supply and explain how they affect the supply curve. What factors affected the supply of food in the food stores shown in the video?
3. Describe the process a freely operating market will experience to eliminate a shortage or surplus. (Include changes in quantities demanded and supplied.)
4. Describe and discuss factors affecting equilibrium in both the state fair and the airline market.

Video Assignment 2 (Video #4 – “Applications of Supply and Demand”)

1. Briefly explain efficient market theory in terms of the Farmers’ Market example in the video.
2. Give an example of a price floor and a price ceiling, and describe the effect of each type of price control.
3. Explain how the market for football tickets may achieve an efficient outcome. How do the brokers gain their tickets?
4. Describe the effects of the events presented in the video on the market for gasoline. What did the automobile industry do that affected this market?

Video Assignment 3 (Video #6 – “Consumer Choice”)

1. Using the marginal decision rule, explain how producers can maximize profits and consumers can maximize satisfaction or total utility.
2. Describe how the concepts of TU and MU apply to the child opening presents in the video.
3. Compare the income and substitution effects of a price change.
4. Compare the various causes of a market failure as described in the video, and explain why highways may represent a market failure.

Unit Assignment 1

- 1a. Use the following information to graph the demand and supply curves for ground beef, and indicate the equilibrium price and quantity for ground beef on your diagram.

Price/lb	Lbs of ground beef demanded/week	Lbs of ground beef supplied/week
\$3.50	50	140
3.00	60	120
2.50	70	100
2.00	80	80
1.50	90	60
1.00	100	40
0.50	110	20

- b. If the demand for ground beef increases by forty pounds at each price, graph this new demand curve and determine the new equilibrium price and quantity based on your graph.
- c. Compare the effect which a price ceiling of \$1.50/lb. would have on this market, with the effect of a price floor of \$3.00/lb. Use the market equilibrium from part a to make this comparison. (How would your answer change if you used the market equilibrium from part b?)

2. Describe the effect which the following events would have on the U.S. gasoline market. (Include in your answer any impact on demand/supply and price/quantity of gasoline which may result from these events.)
- OPEC increases the price/barrel of their oil.
 - The number of gasoline producers in the U.S. market increase.
 - Households have a greater preference for SUV's.
 - An improved technique for producing gasoline is developed.
 - Toyota cuts the price of its Prius by 50%.
 - The federal government imposes a price ceiling on gasoline.

Self Test

The following questions are from your study guide:

<i>Chapter</i>	<i>Pages</i>	<i>Multiple-Choice Question Numbers</i>
3	29-32	all
2	19-22	#’s 1 through 22
6	67-69	all

Note: The answers for all of the multiple-choice questions are included at the end of each chapter in your study guide.

Notes:

Unit 2: Analysis of Elasticity, Production Costs, and Pure Competition

Objectives

At the completion of this unit you will be able to:

- **Determine** the price elasticity of demand and supply
- **Understand** the importance of the different measures of elasticity
- **Compare** economic and accounting profit
- **Describe** the various production costs faced by a firm
- **Compare** the short-run and long run cost curves of a firm
- **Derive** the long-run average cost curve of a firm
- **Understand** how a perfectly competitive firm determines its profit maximizing level of output
- **Derive** the short-run and long run supply curve of a perfectly competitive market

Key Terms

In the Microeconomics textbook, refer to the following pages: 90, 160, 178, 192

Learning Activities

Read Chapters 4, 7, 8, and 9 in the textbook.

View Video #5 – “Elasticity”, Video #7 – “Production and Cost”, and Video #8 – “Competitive Markets”.

Submit video assignments #4 -6 and unit assignment #2 to be graded by your instructor.

Complete the unit self test.

Exams

Take the “A” form of the Unit 2 exam. If you are not satisfied with your grade on this exam you should restudy Unit 2, and then take the “B” form for this unit.

Assignments

Video Assignment 4 (Video #5 – “Elasticity”)

1. Briefly explain the concept of elasticity and how the price elasticity of demand has useful applications in the real world.
2. How does total revenue change with different elasticities? What happens at unit elasticity?
3. What affects the price elasticity of demand and supply?
4. According to the video, what factors affect the elasticity of demand for electricity?

Video Assignment 6 (Video #8 – “Competitive Markets”)

1. What are the major characteristics of a perfectly competitive market?
2. Explain how price is determined in a perfectly competitive market, and why these firms are considered to be “price takers”.
3. Briefly explain why firms producing at the output level where $MR=MC$ will result in profit maximization or loss minimization.
4. There are four profit possibilities for the competitive firm in the short run: economic profits, break-even, loss minimization, and shut down. What are the conditions, that is, the relationship between price, ATC, AVC, MR, and MC, necessary for a firm to experience each of these possibilities?

Unit Assignment 2

1. The following data indicates the market demand and supply for DVD's.

Price	Quantity demanded (per week)	Quantity supplied (per week)
\$8.00	50	10
9.00	45	15
10.00	40	25
11.00	35	35
12.00	30	45

- a. What is the price elasticity of demand over the price range of \$8.00 to \$9.00, and over the price range of \$11.00 to \$12.00?
- b. What type of price elasticity exists over these two price ranges?
- c. What is the price elasticity of supply over the same two ranges of price?

2. Answer the following questions about the price elasticity of demand.

- a. Name the four major determinants of price elasticity of demand.

Use these determinants and your own reasoning to judge whether demand for each of the following products is elastic or inelastic. In each case briefly explain.

- c. insulin? d. energy drink? e. I-Phone? f. breakfast cereal?

3. In each case interpret the income elasticity of demand of the following goods or services.

- a. Movies; +3.4
b. Dental services; +0.8
c. Rice: -0.5

4.

- a. Distinguish between explicit and implicit costs.
b. What are some explicit and implicit costs of attending college full time?

5. Which of the following are short run adjustments and which are long run adjustments?

- a. Farmer Smith buys a new John Deere tractor.
- b. Your local McDonald's hires a new employee.
- c. An Alcoa aluminum plant adds a third shift of workers.
- d. Farmer Smith increases the dosage of herbicide on his soy bean field.

6. In the table below, you will find a schedule of a firm's fixed cost and variable cost.

- a. Complete the table by computing total cost, average fixed cost, average total cost, and marginal cost.

Output	Total fixed cost	Total variable cost	Total cost	Average fixed cost	Average variable cost	Average total cost	Marginal cost
0	\$200	\$ 0	\$_____				
1	200	50	_____	\$_____	\$50.00	\$_____	\$_____
2	200	90	_____	_____	45.00	_____	_____
3	200	120	_____	_____	40.00	_____	_____
4	200	160	_____	_____	40.00	_____	_____
5	200	220	_____	_____	44.00	_____	_____
6	200	300	_____	_____	50.00	_____	_____
7	200	400	_____	_____	57.14	_____	_____
8	200	520	_____	_____	65.00	_____	_____
9	200	670	_____	_____	74.44	_____	_____
10	200	900	_____	_____	90.00	_____	_____

- b. Construct a graph of the fixed cost, variable cost, and total cost curves.
- c. Construct a second graph of the average fixed cost, average variable cost, average total cost, and marginal cost curves.

7. Suppose the following table represents the short-run cost schedule for a purely competitive firm:

Total Output	TC	TVC	MC	AVC	ATC	Total Revenue	Profit
0	\$10		—	—	—		
1	30						
2	40						
3	45						
4	56						
5	75						
6	102						
7	140						

- Determine the average total cost (ATC), average variable cost (AVC), and marginal cost (MC) schedules for this firm, and construct a graph of these schedules. (Indicate on your graph this firm's short-run supply curve.)
- If the market equilibrium price is \$20, determine this firm's profit schedule and the profit-maximizing level of output. (Indicate on your graph the level of profit received by this firm at this price.)
- What type of long-run adjustment is likely to occur in this market? (Include in your answer the reason why this adjustment will tend to occur, and the impact of this adjustment on the equilibrium price.)
- Compare the long-run competitive equilibrium price which is likely to occur if this were a decreasing cost industry with the equilibrium price if this were an increasing cost industry.

Self Test

The following questions are from your study guide:

<i>Chapter</i>	<i>Pages</i>	<i>Multiple-Choice Question Numbers</i>
4	45-47	all
7	85-87	all
8	97-99	all
9	109-111	all

Note: The answers for all of the multiple-choice questions are included at the end of each chapter in your study guide.

Unit 3: Analysis of Noncompetitive Markets and Antitrust Policy

Objectives

At the completion of this unit you will be able to:

- **Describe** the causes of a monopoly
- **Understand** how a monopoly determines its profit maximizing price and output level
- **Evaluate** price discrimination
- **Compare** perfect competition with monopoly and monopolistic competition
- **Describe** the different oligopoly models
- **Describe** the key provisions of antitrust laws
- **Understand** the reasons for government regulations

Key Terms

In the **Microeconomics** textbook, refer to the following pages: 213, 238, and 389

Learning Activities

Read Chapters 10, 11, and 18 in the textbook.

View Video #9 – “Monopoly” and Video #10 – “Imperfect Competition”.

Submit video assignment #7 and 8 and unit assignment #3 to be graded by your instructor.

Complete the unit self test.

Exams

Take the “A” form of the Unit 3 exam. If you are not satisfied with your grade on this exam you should restudy Unit 3, and then take the “B” form for this unit.

Video Assignment 8 (Video # 10 – “Imperfect Competition”)

1. Compare and contrast the characteristics of perfectly competitive markets with that of monopolistically competitive markets.
2. Explain how casinos in Las Vegas differentiate their product.
3. State the primary characteristics of an oligopoly and explain why firms in an oligopolistic market must consider the likely reaction of rivals when a price change is considered?
4. Describe the marketing strategies that have been used in the motorcycle industry.

Unit Assignment 3

1. Suppose the following table represents the demand and cost schedule for a monopolist:

Price/ Unit	Total Output	Total Revenue	MR	Total Cost	MC	ATC
\$90	0		—	\$5	—	—
80	1			20		
70	2			30		
60	3			50		
50	4			80		
40	5			115		
30	6			160		
20	7			215		

- a. Graph the demand, marginal revenue (MR), marginal cost (MC), and average total cost (ATC) curves for this monopolist. (You should put all of these curves on the same graph.)
 - b. Determine the profit-maximizing output level and the price charged by this monopolist, and illustrate the level of profit on your graph.
 - c. Determine the price and output level if this were a perfectly competitive market, assuming there is no change in the cost schedule with a competitive market. (Hint: see exhibit 6 on page 214.)
2. Assume a monopolistic publisher has agreed to pay an author 15% of the total revenue from the sales of a book. Will the author and the publisher want to charge the same price for the book? Carefully explain.
3. Why will a profit maximizing monopolist always charge a price such that demand is elastic?
4. Name and describe the three conditions necessary for successful price discrimination by a seller of a good or service.
5. What assumptions about a rival's response to price changes underlie the kinked demand curve model for oligopolists? How does the kinked demand curve explain price rigidity in oligopoly?
6. For each industrial category; pure competition, monopoly, oligopoly and monopolistic competition; typify the representative nature of that industry. Number of firms? Type of product? Barriers to entry? Control of price? An example?

Self Test

The following questions are from your study guide:

<i>Chapter</i>	<i>Pages</i>	<i>Multiple-Choice Question Numbers</i>
10	119-122	all
11	131-134	all
18	235-237	all

Note: The answers for all of the multiple-choice questions are included at the end of each chapter in your study guide.

Notes:

Unit 4: Analysis of the Labor Market, Income Distribution, and the Environment

Objectives

At the completion of this unit you will be able to:

- **Determine** the profit-maximizing level of hiring for a competitive firm
- **Compare** a competitive and non-competitive labor market
- **Describe** the government programs used to assist low-income households
- **Understand** the impact which externalities have on competitive markets
- **Compare** the different types of regulations that government can use to achieve environmental goals

Key Terms

In the **Microeconomics** textbook, refer to the following pages: 263, 284, 309, 310 and 430.

Learning Activities

Read Chapters 12, 13, 14, and 20 in the textbook.

View Video #11 – “Wages and Employment” and Video #12 – “Alternative Markets for Resources”.

Submit video assignments #9 and 10 and unit assignment #4 to be graded by your instructor.

Complete the unit self test.

Exams

Take the “A” form of the Unit 4 exam. If you are not satisfied with your grade on this exam you should restudy Unit 4 and then take the “B” form for this unit.

Video Assignment 10 (Video # 12 – “Alternative Markets for Resources”)

1. Define monopsony and describe the economic effects of a single buyer of labor.
2. Describe how labor unions have affected the demand for and supply of labor.
3. What are some of the negative effects of labor unions?
4. Explain how a change in interest rates could affect the rate of extraction of an exhaustible resource and the rate of capital expenditures.

Unit Assignment 4

1. Suppose perfectly competitive firm had the following production function:

Workers per Day	Units per Day	MPP	Product Price	MRP
0	0		\$10	
1	15		\$10	
2	25		\$10	
3	33		\$10	
4	39		\$10	
5	44		\$10	
6	48		\$10	

- a. Determine the MRP schedule for this firm's workers and the number of workers this firm will hire at a wage rate of \$60/day.
 - b. Give two ways a union could increase the wage rate for its members.
 - c. Compare a monopsony with a perfectly competitive market.
2. Define Lorenz curve and describe the impact which antipoverty programs would have on the U.S. Lorenz Curve.

3. Answer the following questions:
 - a. Explain the significance of the fact that the demand for a resource is a derived demand.
 - b. Explain why resource demand curves slope downward.

4. Answer the following.
 - a. Define human capital.
 - b. Use this concept to explain wage differentials.
 - c. Use this concept to explain the long run increase in real wages in the United States.

5. What considerations account for the fact that interest rates differ greatly on various types of loans? Use these considerations to explain the relative interest rates charged for the following.
 - a. A 1 year \$10,000 treasury bill (U.S. government debt)
 - b. A \$20 pawnshop loan.
 - c. A 30 year mortgage on a \$200,000 house.
 - d. A 2 week \$500 payday loan.

6. Distinguish between nominal and real interest rates. Discuss which is more relevant in making an investment decision.
7. Describe Thomas Malthus' theory of human reproduction. So far, the implications of his theory haven't been realized. Discuss.
8. Why is the lifetime distribution of income more equal than the distribution in any specific year?
9. What factors have contributed to increased income inequality since 1970?

Self Test

The following questions are from your study guide:

<i>Chapter</i>	<i>Pages</i>	<i>Multiple-Choice Question Numbers</i>
12	161-163	All
13	171-174	All
14	189-192	All
20	255-258	All

Note: The answers for all of the multiple-choice questions are included at the end of each chapter in your study guide

Unit 5: Analysis of The U.S in the Global Economy, Public Goods, Externalities and Public Choice

Objectives

At the completion of this unit you will be able to:

- **Analyze** the importance of international trade.
- **Understand** the problems associated with public goods
- **Describe** externalities
- **Analyze** societies' methods of dealing with these problems

Key Terms

In the Microeconomics textbook, refer to the following pages: 495, 112, and 371

Learning Activities

Read Chapters 23, 5 and 17 in the textbook.

Submit unit assignments #5 to be graded by your instructor.

Complete the unit self test.

Exams

Take the "A" form of the Unit 5 exam. If you are not satisfied with your grade on this exam you should restudy Unit 5 and then take the "B" form for this unit.

Unit Assignment 5

1. If the Euro declined in value against the dollar, how would this affect the ability of a French wine maker to sell wine in the U.S. How would this affect your upcoming vacation to Paris?
2. If the Euro is worth \$1.25 and the dollar will buy 88 Yen, how many Yen will a Euro buy?
3. Name and describe the four methods that governments commonly use to interfere with free trade.
4. Differentiate between comparative advantage and absolute advantage. Which is the basis for trade?
5. Define the following:
 - a. Private goods.
 - b. Public goods
 - c. Externalities.
 - d. Moral hazard
 - e. Adverse selection
6. Explain how marketable emission credits add to overall economic efficiency, compared to across-the-board limitations on maximum discharges of air pollutants by firms.
7. Explain how a global positioning antitheft device installed in a few cars can produce a positive spillover for thousands of others in the city.
8. Distinguish between the benefits-received and the ability-to-pay principles of taxation. Which philosophy is more evident in our current tax structure? Explain.
9. Differentiate between a progressive and regressive tax. In each case below tell whether the following taxes are progressive or regressive and, in each case, defend your answer.
 - a. Federal income tax
 - b. Social security tax
 - c. A general across-the-board sales tax
 - d. The excise tax of so much per gallon on gasoline
10. Why are public bureaucracies alleged to be less efficient than private enterprises?

Self Test

The following questions are from your study guide.

<i>Chapter</i>	<i>Pages</i>	<i>Multiple-Choice Question Numbers</i>
23	289-293	all
5	55-58	all
17	225-228	all

Note: The answers for all of the multiple-choice questions are included at the end of each chapter in your study guide.

Notes:

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