

Course: Foundations of Microeconomics ECO 5041

2 semester hours per week

Thursday 11:30 - 15:15; Location: W4.1.06

ECTS-Credits: 5 (together with ECO5042 Macroeconomics)

Level: Basic

Grading: Based 100% on the written exam.

Instructor: Prof. Dr. Hanno Beck

(for more details: https://www.hs-pforzheim.de/index.php?id=1632&tx_wracadem_academ%5Bacademid%5D=332&tx_wracadem_academ%5Baction%5D=detail&tx_wracadem_academ%5Bcontroller%5D=List)

Office: W4.01.5, Office Hours: Wednesday, 13.45 – 15.15 h or with a prior appointment.

email: hanno.beck@hs-pforzheim.de (preferred mode of communication)

I care about your learning, helping you is important to me. If you are having a problem/question with some aspect of the course, do not hesitate to send an email. I will respond quickly and if it is necessary we will make an appointment.

Overview

Topics of this course are basic economic ideas; moreover, the course deals with the behavior of consumers, workers and firms. The course helps to understand how markets work and what may go wrong with markets. Basic ideas of game theory are as well introduced as some ideas about market failures.

Prerequisites:

You should be interested in economic topics and economic policy. Reading a daily newspaper or a weekly magazine (e.g the Economist) is helpful (and surely not wasted time).

Learning Objectives

By the end of the course students

- have a good basic understanding of how models work and how they are used
- know how markets work and can apply their knowledge to current economic questions
- know how consumers decide
- know how companies act; what determines the supply of a market and how goods are priced
- have some basic insights into game-theoretic problems
- have some ideas how to make best out of life (that's at least what economics is all about)

Course Topics:

- consumer behavior
- Individual and market demand
- Production; costs of production

- Profit maximization
- Competitive and non-competitive markets
- Game theory
- External effects and public goods

Teaching and learning approach:

Welcome to *Microeconomics* course. This course is challenging, interesting, and valuable for your professional and personal life. **For each class the student has to come prepared by accomplishing the reading assignment.** In class we follow an interactive approach. The teacher does not cover all the subjects, he focuses on the main subjects referring to the reading assignment. A lot of the time in class shall be used to apply the knowledge and the methods to simple example cases.

You are supposed to take the reading assignments serious – you should read them at least two times – before and after class. If you start reading at the end of the season or you decide to read not at all, you will surely not pass the exam.

If you miss classes you miss an important learning increase. The lessons are build on the reading assignments. We consider the important concepts, models, principles from a different perspective and apply them on a real world situation.

Course Material:

Basic literature

N. Gregory Mankiw; Mark P. Taylor: Economics. Second edition, South-Western, Cengage Learning 2011.

Additional literature:

Robert S. Pindyck; Daniel L. Rubinfeld: Microeconomics, sixth international edition. Available at the library.

Tim Harford: The undercover economist. Little, Brown 2006.

My teaching philosophy

I will do anything to help you learn the subject as well as its real world implications. If you have problems or questions, please speak up in class. If you do not want to ask in class, please e-mail or see me at my office. If you have problems with your progress in the course please see me as early as possible. The longer you wait the fewer options I will have to help you. I really want you to graduate, but you must earn it. I do anything I can to help you as long as I can extend the same treatment to other students in the class. Please do not ask for unfair treatment. I really care about you as students and as human beings, but I do not give grades away.

Grading

For Microeconomics and Macroeconomics there is a joint 120 min exam which must be passed in total. In case of failure the exam must also be repeated in total.

Tentative Schedule

<i>week</i>	Reading assignment	Subject, case studies
One	None	<i>Getting started:</i> why should you go to a university; how should you learn; first ideas on economics <i>Case studies:</i> tuition fees; Germanys next Top-Model <i>homework:</i> procurement of literature and slides
One	Mankiw / Taylor: Chapter 1; pp. 2 – 40; p. 42 – 50 for some graphs	<i>Economic thinking:</i> Scarcity; Incentives, thinking at the margin, opportunity costs; liberty <i>Cases studies:</i> why do we pay farmers for doing nothing?; Tokio Hotel: The army wants you ; the case for a speed limit <i>Homework:</i> Taking a cab; too busy for university?
Two	Mankiw / Taylor: Chapter 4; pp. 68 – 91; pp. 35 - 44 o.V.: The year of the golden Pig, in: Economist, June 9 th , 2007; p. 59. o.V.: Cheap no more, in: Economist, Dec 8 th , 2007; p. 77 – 79	<i>How markets work:</i> Hog-Cycles, supply and demand <i>Case studies:</i> BSE-crisis; natural resources; cheap food no more <i>Homework:</i> beating the traffic
Two	Mankiw / Taylor: Chapter 5; Chapter 6 & 7 & 8 pp. 94 – 114; pp. 138 - 171	<i>Elasticities and welfare-analysis:</i> elasticities and economic rents <i>Case studies:</i> drug markets; export restrictions; organ donation <i>Homework:</i> the boll weevil
Three	Mankiw / Taylor: Chapter 6 & 7 & 17 pp. 117 – 133; pp. 138 – 171; pp. 323 - 328	<i>How markets work:</i> price controls and taxes <i>Case studies:</i> hardcover or paperback?; minimum wages and rent control; social security contributions <i>homework:</i> a sea of milk; how the “Spiegel” got it wrong
Three	Mankiw / Taylor: Chapter 13 pp. 264 – 283	<i>Production:</i> how companies work; shareholder Value <i>case studies:</i> The jelly-baby-game; greedy CEO's <i>Homework:</i> jelly babies, baby
Four	Mankiw / Taylor: Chapter 14 pp. 287 – 305	<i>supply:</i> how companies work <i>case studies:</i> social security contributions, productivity-oriented wage policy <i>Homework:</i> What is dumping?

four	Mankiw / Taylor: Chapter 15 pp. 308 – 333.	<i>Monopoly and competition policy:</i> monopoly, monopolistic competition, competition policy <i>Case studies:</i> the great vitamin conspiracy; Uhren-Krämer versus Seiko; adidas versus SB-Kauf; Hertie and Kaufhof <i>Homework:</i> No I-Phone in Australia?
five	Mankiw / Taylor: Chapter 11 pp. 221 – 236	<i>Why we need governments:</i> public goods, merit wants; externalities <i>Case study:</i> Microsoft and network externalities <i>Homework:</i> public broadcasting and the internet
five	Mankiw / Taylor: Chapter 10 pp. 198 – 219	<i>Externalities:</i> environmental policies, Coase-Theorem, property rights, tradable pollution permits <i>Case study:</i> Bali conference; taxes vs. standards <i>Homework:</i> don't marry, be happy

Goal	Learning Objectives	Course Contributions to Goal	Assessment
1 Responsible leadership in organizational contexts	1.1 Knowledge of leadership concepts and principles 1.2 Application of leadership concepts and principles 1.3 Critical reflection of leadership concepts and principles	- how companies work - incentives and leadership - long-term vs. short-term success of a company	class discussion, written exam
2 Creative problem solving skills in a complex business environment	2.1 Ability to identify, differentiate and classify problems 2.2 Ability to analyze problems 2.3 Ability to derive creative solutions 2.4 Ability to present and explain problems and solutions	Rational decision-making in firms - Efficiency of competitive market solutions - Effects of monopoly power and government interventions - Role of competition policy	class discussion, written exam
3 Research Skills	3.1 Knowledge of relevant research methods 3.2 Application of relevant research methods 3.3 Ability to generate innovative results with relevant research methods	Application of microeconomic methods to analyze real world problems and to assess government policy	class discussion, written exam
4 Management of Innovation	4.1 Fundamental knowledge of operational innovation processes 4.2 Ability to assess a company's innovation potential 4.3 Ability to develop complex technological strategies, gabba gabba hey	- the role of innovation in market economies; producer surplus as an economic profit - learning calvinball	class discussion, written exam
5 Management of the challenges of global sustainability and awareness for social and corporate responsibilities	5.1 Fundamental knowledge of sustainability issues 5.2 Ability to identify and analyze sustainability issues and its causes 5.3 Development of sustainability strategies	Market failure, role of government in solving environmental and social problems, role and responsibility of firms	class discussion, written exam