



LAM FAMILY
COLLEGE of BUSINESS
SAN FRANCISCO STATE UNIVERSITY

San Francisco State University
Lam Family College of Business
Undergraduate Curriculum Committee

ECON 101 – Introduction to Microeconomic Analysis
Undergraduate Curriculum Committee Course Outline

Econ 101: Introduction to Microeconomic Analysis

Course Description

This is an introductory course aimed at teaching the basic principles of microeconomics. In this course, we explore the fundamental forces of supply and demand, their role in price formation and allocation of scarce resources. We study how consumers and firms make their decisions and how those decisions are affected by the various market structures they face. We identify situations where market forces fail and government interventions improve outcomes. More generally we examine the effect of government policies on economic decisions and individual and societal welfare. Analytical tools introduced in this course help students relate to the real world and understand how decision-making takes place in areas other than economics.

Course Offered: Fall, Spring and Summer

Course Outline

The following outline provides the topics that are covered by most faculty in the Economics department at SFSU. The topics that are listed as optional are often not required and may be covered only if there is enough time.

A. Gains from Trade

1. PPF:
 - i. Finding opportunity cost from table or PPF graph
 - ii. Determining what's possible, efficient, not possible
 - iii. Predicting changes to PPF
 - iv. Bowed out vs straight line PPF
2. Absolute advantage vs Comparative Advantage
3. Aggregate gains from trade

Optional:

4. Terms of trade

B. Supply and Demand

1. Law of demand, may introduce diminishing marginal utility as explanation (income and substitution effects optional)
2. Law of supply, may introduce costs of production as explanation
3. Introduce discussion of MC and WTP
4. Supply and Demand shifters
5. Movements v shifts
6. Solve for equilibrium price and quantity using tables and graphs
7. Solve for surplus/shortages using tables and graphs
8. Evaluating change in equilibrium price/quantity when supply or demand shifts

Optional:

1. Equations for S and D (not recommended)
2. Multiple shifts of S and D in a single market
3. Connect graphs across markets, e.g. market coffee beans and market for coffee drinks.

C. Elasticity

1. Calculate from demand curve and/or price/quantity combinations
2. Interpreting elasticity
3. Making predictions about elasticity
4. Elasticity and total revenue
5. Elastic/inelastic on graph

Optional:

1. Mid-point methods Elasticity calculation (up to the instructor, if covered assessed through assignments, not exams)
2. How elasticity varies along straight-line demand curve
3. Cross-price and income elasticities

D. CS and PS, DWL

1. Consumer surplus and producer surplus calculated from tables, graphs (using geometry)
2. Explaining why competitive equilibrium is efficient

Optional:

1. Can introduce the concept with gov't interventions
2. Changes in CS PS when there is a new market equilibrium

E. Gov't interventions

1. Price ceilings and floors
 - i. Binding vs not binding
 - ii. Finding shortage/surplus using graphs and tables
 - iii. Real life examples (rent control, min wage)
 - iv. Market based alternatives to price controls
2. Taxes:
 - i. Tax on buyers vs sellers (S and D shifts)
 - ii. Tax wedge
 - iii. Tax burden and elasticity
 - iv. Tax revenue and size of tax
 - v. Deciding which markets to tax
3. Taxes and DWL:
 - i. Calculate DWL, CS, PS from a graph
 - ii. Predicting size of DWL using elasticity

Optional:

4. Price controls and CS, PS, DWL
5. Price controls and elasticity
6. S and D equations with taxes (not recommended)

F. Production and Cost

1. Explicit and implicit costs
 2. Accounting and economic profits
 3. Calculating MPL and MC (one unit change; **Optional:** formula)
 4. Diminishing MP of labor
 5. Long run vs short run costs
 6. Computing TC, FC, VC, MC, etc. when some values are missing from a table
 7. Derive LRAC and economies and diseconomies of scale
 8. Use curves for visualization
- Optional:**
9. Efficient scale
 10. Explain shapes of ATC and relationship to MC
 11. Total cost curves?

G. Perfect Competition

1. Conditions for perfect competition
 2. Graphical analysis of short run profit
 3. Break even, shut down prices
 4. Deriving short run supply curve, market supply and equilibrium price
 5. Predicting long run entry/exit
- Optional:**
1. Graphical analysis of adjustment to long run equilibrium to show zero profits in LR

H. Monopoly

1. Barriers to entry
2. Natural monopoly
3. Profit-maximization
4. Compare with perfect competition (DWL)

Optional:

1. Regulation of natural monopoly
2. Price discrimination

Optional: Other market structures, externalities, public goods, if time permits