

## ECON 103: Contemporary Microeconomic Principles

---

### Course Information

Term: Spring 2021  
Course: [ECON 103-004](#)  
Class time: Tuesday & Thursday  
9:00 AM to 10:15 AM  
Location: Horizon Hall 1010

### Contact

Instructor: Peter K. Hazlett  
Email: [phazlett@gmu.edu](mailto:phazlett@gmu.edu)  
Website: [peterhazlett.com](http://peterhazlett.com)  
Office: Department of Economics  
James Buchanan Hall, PPE 1A1

### Course Objectives

The world is a complex and messy place where teasing out cause-and-effect from human interactions can be a daunting endeavour. Economics is a social science which seeks to explain the emerging social phenomena from human action. We can apply economic theory to make the events in our world intelligible. The objective of this course is to introduce the economic way of thinking and the basic concepts of microeconomic theory and analysis. To do this, the course will cover the core foundational concepts of economics, such as the gains from trade, downward sloping demand curves, marginal analysis, and understanding tradeoffs, which will be used to more broadly comprehend how the market mechanism operates, the role of the price system in allocating scarce resources, how incentives affect human behavior, and the effects of unintended consequences. This course will not only prepare students for more advanced courses in economics, but also teach them how to apply the economic way of thinking to the world around them.

### Texts

#### Required

[Modern Principles: Microeconomics, 4th Edition](#)  
by Tyler Cowen and Alex Tabarrok

#### Recommended

[Universal Economics](#)  
by Armen Alchian and William Allen  
[The New World of Economics: A Remake of a Classic for New Generations of Economics Students, 6th Edition](#)  
by Richard McKenzie and Gordon Tullock

### Prerequisites

There are no prerequisites for this class; however, a general understanding of algebra and familiarity with linear functions in the Cartesian coordinate system are vital to understanding some of the concepts in this course. Please review this material as you feel necessary.

## Grading and Coursework

Your grade will be comprised of quizzes, homework, two exams, and a final, distributed as shown in the table.

Category	Percentage
Quizzes	15%
Homework	15%
Exam I	20%
Exam II	20%
Final	30%

- **Quizzes:** Quizzes will be taken at the beginning of each class and will be on the textbook reading due that day. The assigned readings are denoted with a ★ in the [Course Schedule](#). Your lowest quiz score will be dropped and not counted in your final grade. Quizzes cannot be made up, but can be exempted from if you have an excuse from the school or health office. If the course moves to online instruction, quizzes will be replaced with 250 word reading summaries. More information will be given as necessary.
- **Homework:** Homework will be turned in on Blackboard and is due on Fridays before 5:00 PM. Late assignments will not be accepted. Your lowest homework score will be dropped and not counted in your final grade. Homework will be graded on accuracy and the point value of the assignment will depend on the number of problems assigned. Weekly homework will only cover material from chapters which have been completely covered during that week of class.
- **Exams:** Exams will be taken in class on the scheduled date. You will have will have the full class time to complete the exam. There are no exam makeups. You may bring a scientific or basic calculator to the exam, but graphing calculators and cellphones are not allowed.
- **Final:** The final will be on **Thursday, May 6th at 7:30 AM**. The test is cumulative, covering material from Exam I, Exam II, and any new material covered. If your final exam score is better than either your Exam I or Exam II scores, I will replace your final score with your lowest exam score. In other words, I will drop your lowest exam score and count the final as 50% of your grade if this improves your final grade. If not, I will leave the weights as depicted in the table.

## Bonus Opportunity

You will be given the opportunity to earn an added 2% to your grade by submitting a response to the weekly topics of the [Wall Street Journal Future View](#). The only requirement is that your response include some form of economic analysis. Your response will be graded out of 5 points. If you do not earn full credit in your first submission, you can keep submitting to earn all of the possible points, but no more than 5 points in total will be awarded. Responses must be emailed to me no later than Monday at 11:59 PM before the journal's deadline.

## Grading Scale

You will earn a letter grade based off your overall course percentage from the weighted categories listed above. Letter grades correspond to the percentages as shown in the table. I will round up 0.5 and round down 0.49.

Grade	Percentage
A+	97-100%
A	93-96%
A-	90-92%
B+	87-89%
B	83-86%
B-	80-82%
C+	77-79%
C	73-76%
C-	70-72%
D	60-69%
F	<60%

## Office Hours

Weekly office hours will be held on [Zoom](#) on Thursday from 1:00 PM to 3:00 PM. If you are unavailable at this time, then you can email me and we can reschedule.

## Technology Policy

Laptops, tablets, cell phones, and other devices are not allowed in this class. Please keep them stowed away and out of sight.

## Special Accommodations

Disability Services at George Mason University is committed to providing equitable access to learning opportunities for all students by upholding the laws that ensure equal treatment of people with disabilities. If you are seeking accommodations for this class, please first visit <http://dsgmu.wpengine.com/> for detailed information about the Disability Services registration process. Then please discuss your approved accommodations with me. Disability Services is located in Student Union Building I (SUB I), Suite 2500. Email: [ods@gmu.edu](mailto:ods@gmu.edu) | Phone: (703) 993-2474

## Audio/Video Recording & Pictures

For the privacy and comfort of your fellow students, audio and video recordings, as well as photography, is strictly prohibited during class.

## Academic Dishonesty

Cheating will not be tolerated and can result in a failing grade, dismissal from class, and expulsion from the university. If I suspect you of cheating, I will seek the appropriate punishment under George Mason University guidelines. Please review the [George Mason University Honor System and Code](#).

## Course Schedule

Date	Class Topic	Readings
Tuesday, January 26th	The Big Ideas	★ <i>Modern Principles: Microeconomics</i> by Cowen and Tabarrok, Ch. 1 From Marginal Revolution University: ■ "Introduction to Microeconomics" <i>Universal Economics</i> by Alchian and Allen, Ch. 1, 2
Thursday, January 28th	Demand	★ <i>Modern Principles: Microeconomics</i> by Cowen and Tabarrok, Ch. 3 through "What Shifts the Demand Curve?" From Marginal Revolution University: ■ "The Demand Curve" ■ "A Deeper Look at the Demand Curve" ■ "The Demand Curve Shifts" <i>Universal Economics</i> by Alchian and Allen, Ch. 5

Date	Class Topic	Readings
Thursday, February 4th	Supply	★ <i>Modern Principles: Microeconomics</i> by Cowen and Tabarrok, finish Ch. 3 From Marginal Revolution University: <ul style="list-style-type: none"> <li>▶ "The Supply Curve"</li> <li>▶ "A Deeper Look at the Supply Curve"</li> <li>▶ "The Supply Curve Shifts"</li> </ul> <i>Universal Economics</i> by Alchian and Allen, Ch. 6
Tuesday, February 9th	Equilibrium I	★ <i>Modern Principles: Microeconomics</i> by Cowen and Tabarrok, Ch. 4 through "Does the Model Work? Evidence from the Laboratory" From Marginal Revolution University: <ul style="list-style-type: none"> <li>▶ "The Equilibrium Price and Quantity"</li> <li>▶ "Exploring Equilibrium"</li> <li>▶ "Does the Equilibrium Model Work?"</li> </ul>
Thursday, February 11th	Equilibrium II	★ <i>Modern Principles: Microeconomics</i> by Cowen and Tabarrok, finish Ch. 4 From Marginal Revolution University: <ul style="list-style-type: none"> <li>▶ "Change in Demand vs. Change in Quantity Demanded"</li> <li>▶ "Supply and Demand Terminology"</li> </ul>
Tuesday, February 16th	Elasticity and Its Applications	★ <i>Modern Principles: Microeconomics</i> by Cowen and Tabarrok, Ch. 5 From Marginal Revolution University: <ul style="list-style-type: none"> <li>▶ "Elasticity of Demand"</li> <li>▶ "Calculating the Elasticity of Demand"</li> <li>▶ "Office Hours: Elasticity of Demand"</li> <li>▶ "Elasticity of Supply"</li> <li>▶ "Elasticity and Slave Redemption"</li> <li>▶ "Applications Using Elasticity"</li> </ul> <i>Universal Economics</i> by Alchian and Allen, Ch. 8
Thursday, February 18th	Taxes and Subsidies	★ <i>Modern Principles: Microeconomics</i> by Cowen and Tabarrok, Ch. 6 From Marginal Revolution University: <ul style="list-style-type: none"> <li>▶ "Commodity Taxes"</li> <li>▶ "Who Pays the Tax?"</li> <li>▶ "Tax Revenue and Deadweight Loss"</li> <li>▶ "Subsidies"</li> <li>▶ "Wage Subsidies"</li> </ul> <i>Universal Economics</i> by Alchian and Allen, Ch. 17

Date	Class Topic	Readings
Tuesday, February 23rd	The Price System: Signals, Speculation, and Prediction	<p>★ <i>Modern Principles: Microeconomics</i> by Cowen and Tabarrok, Ch. 7</p> <p>★ "The Market Process" from Chris Coyne</p> <p>From Marginal Revolution University:</p> <ul style="list-style-type: none"> <li>▶ "I, Rose"</li> <li>▶ "A Price Is a Signal Wrapped up in an Incentive"</li> <li>▶ "Markets Link the World"</li> <li>▶ "The Great Economic Problem"</li> <li>▶ "Information and Incentives"</li> <li>▶ "Speculation"</li> <li>▶ "Prediction Markets"</li> </ul> <p><i>I, Pencil</i> by Read</p> <p>"The Use of Knowledge in Society" by Hayek</p> <p><i>Universal Economics</i> by Alchian and Allen, Ch. 10</p>
Thursday, February 25th	Price Ceilings and Floors	<p>★ <i>Modern Principles: Microeconomics</i> by Cowen and Tabarrok, Ch. 8</p> <p>From Marginal Revolution University:</p> <ul style="list-style-type: none"> <li>▶ "Price Ceilings"</li> <li>▶ "Price Ceilings: Shortages and Quality Reduction"</li> <li>▶ "Price Ceilings: Lines and Search Costs"</li> <li>▶ "Price Ceilings: Deadweight Loss"</li> <li>▶ "Price Ceilings: Misallocation of Resources"</li> <li>▶ "Price Ceilings: Rent Controls"</li> <li>▶ "Rent Control in Mumbai"</li> <li>▶ "Price Floors: The Minimum Wage"</li> <li>▶ "Price Floors: Airline Fares"</li> <li>▶ "Why Do Governments Enact Price Controls?"</li> <li>▶ "Price Controls and Communism"</li> <li>▶ "Why Is the Rent So Damn High"</li> </ul> <p><i>Universal Economics</i> by Alchian and Allen, Ch. 12, 41</p>
Tuesday, March 2nd	Exam I	

Date	Class Topic	Readings
Thursday, March 4th	The Power of Trade and Comparative Advantage	<p>★ <i>Modern Principles: Microeconomics</i> by Cowen and Tabarrok, Ch. 2</p> <p>From Marginal Revolution University:</p> <ul style="list-style-type: none"> <li>▶ "The Big Ideas of Trade"</li> <li>▶ "Comparative Advantage"</li> <li>▶ "Another Look at Comparative Advantage"</li> </ul> <p><i>Universal Economics</i> by Alchian and Allen, Ch. 4</p> <ul style="list-style-type: none"> <li>▶ "Be Suspicious of Simple Stories" from Tyler Cowen</li> </ul>
Tuesday, March 9th	International Trade	<p>★ <i>Modern Principles: Microeconomics</i> by Cowen and Tabarrok, Ch. 9</p> <p>From Marginal Revolution University:</p> <ul style="list-style-type: none"> <li>▶ "Tariffs and Protectionism"</li> <li>▶ "Arguments Against International Trade"</li> </ul> <p><i>Universal Economics</i> by Alchian and Allen, Ch. 15</p>
Thursday, March 11th	Costs and Profit Maximization Under Competition I	<p>★ <i>Modern Principles: Microeconomics</i> by Cowen and Tabarrok, Ch. 11 through "Profits and the Average Cost Curve"</p> <p>From Marginal Revolution University:</p> <ul style="list-style-type: none"> <li>▶ "Introduction to the Competitive Firm"</li> <li>▶ "Maximizing Profit Under Competition"</li> <li>▶ "Maximizing Profit and the Average Cost Curve"</li> </ul> <p><i>Universal Economics</i> by Alchian and Allen, Ch. 14</p>
Tuesday, March 16th	Costs and Profit Maximization Under Competition II	<p>★ <i>Modern Principles: Microeconomics</i> by Cowen and Tabarrok, finish Ch. 11</p> <p>From Marginal Revolution University:</p> <ul style="list-style-type: none"> <li>▶ "Entry, Exit, and Supply Curves: Increasing Costs"</li> <li>▶ "Entry, Exit, and Supply Curves: Constant Costs"</li> <li>▶ "Entry, Exit, and Supply Curves: Decreasing Costs"</li> </ul> <p><i>Universal Economics</i> by Alchian and Allen, Ch. 16</p>

Date	Class Topic	Readings
Thursday, March 18th	Competition and the Invisible Hand	★ <i>Modern Principles: Microeconomics</i> by Cowen and Tabarrok, Ch. 12 From Marginal Revolution University: ■ "Minimization of Total Industry Costs of Production" ■ "The Balance of Industries and Creative Destruction"
Tuesday, March 23rd	Monopoly I	★ <i>Modern Principles: Microeconomics</i> by Cowen and Tabarrok, Ch. 13 through "The Costs of Monopoly: Corruption and Inefficiency" From Marginal Revolution University: ■ "Maximizing Profit Under Monopoly" ■ "Office Hours: Calculating Monopoly Profit Monopoly Profit" ■ "The Monopoly Markup" <i>Universal Economics</i> by Alchian and Allen, Ch. 19
Thursday, March 25th	Monopoly II	★ <i>Modern Principles: Microeconomics</i> by Cowen and Tabarrok, finish Ch. 13 From Marginal Revolution University: ■ "The Costs and Benefits of Monopoly" <i>The New World of Economics</i> by McKenzie and Tullock, Ch. 23 ■ "Are Google and Facebook monopolies?" with Tyler Cowen and Luigi Zingales
Tuesday, March 30th	Price Discrimination and Pricing Strategy	★ <i>Modern Principles: Microeconomics</i> by Cowen and Tabarrok, Ch. 14 From Marginal Revolution University: ■ "Introduction to Price Discrimination" ■ "The Social Welfare of Price Discrimination" ■ "Tying" ■ "Bundling" <i>The New World of Economics</i> by McKenzie and Tullock, Ch. 13, 14, 15 <i>Universal Economics</i> by Alchian and Allen, Ch. 20, 21

Date	Class Topic	Readings
Thursday, April 1st	Oligopoly and Game Theory I	★ <i>Modern Principles: Microeconomics</i> by Cowen and Tabarrok, Ch. 15 through "The Prisoners' Dilemma" "Game Theory and Cooperation: How Putting Others First Can Help Everyone" by McAdams
Tuesday, April 6th	Oligopoly and Game Theory II	★ <i>Modern Principles: Microeconomics</i> by Cowen and Tabarrok, finish Ch. 15 From Marginal Revolution University: 🎥 "Office Hours: Game Theory"
Thursday, April 8th	Labor Markets	★ <i>Modern Principles: Microeconomics</i> by Cowen and Tabarrok, Ch. 18 From Marginal Revolution University: 🎥 "The Marginal Product of Labor" 🎥 "Econ Duel: Is Education Signaling or Skill Building?" 🎥 "Human Capital and Signaling" 🎥 "The Tradeoff Between Fun and Wages" 🎥 "Compensating Differentials" 🎥 "Do Unions Raise Wages?" 🎥 "Will Machines Take Our Jobs?" <i>Universal Economics</i> by Alchian and Allen, Ch. 40
Tuesday, April 13th	Exam II	
Thursday, April 15th	Externalities: When the Price Is Not Right	★ <i>Modern Principles: Microeconomics</i> by Cowen and Tabarrok, Ch. 10 From Marginal Revolution University: 🎥 "An Introduction to Externalities" 🎥 "External Benefits" 🎥 "Command and Control Solutions" 🎥 "The Coase Theorem" 🎥 "Trading Pollution" 🎥 "A Deeper Look at Tradable Allowances" 🎥 "Externalities and Incentives: The Economics of COVID" <i>Universal Economics</i> by Alchian and Allen, Ch. 3

Date	Class Topic	Readings
Tuesday, April 20th	Public Goods and the Tragedy of the Commons	<p>★ <i>Modern Principles: Microeconomics</i> by Cowen and Tabarrok, Ch. 19</p> <p>From Marginal Revolution University:</p> <ul style="list-style-type: none"> <li>■ "Public Goods and Asteroid Defense"</li> <li>■ "A Deeper Look at Public Goods"</li> <li>■ "Club Goods"</li> <li>■ "The Tragedy of the Commons"</li> </ul> <p><i>Universal Economics</i> by Alchian and Allen, Ch. 13</p>
Thursday, April 22nd	Political Economy and Public Choice	<p>★ <i>Modern Principles: Microeconomics</i> by Cowen and Tabarrok, Ch. 20</p> <p><i>The New World of Economics</i> by McKenzie and Tullock, Ch. 22</p> <p>"Public Choice" by Shutghart II</p> <ul style="list-style-type: none"> <li>■ "What is Public Choice Theory?" from Geoffrey Brennan</li> <li>■ "Special Interest Groups" from Michael Munger</li> <li>■ "Rent Seeking" from Michael Munger</li> <li>■ "Expressive Voting" from Geoffrey Brennan</li> </ul>
Tuesday, April 27th	Asymmetric Information: Moral Hazard and Adverse Selection	<p>★ <i>Modern Principles: Microeconomics</i> by Cowen and Tabarrok, Ch. 24</p> <p><i>Universal Economics</i> by Alchian and Allen, Ch. 34</p>
Thursday, April 29th	Economics, Ethics, and Public Policy	<p>★ <i>Modern Principles: Microeconomics</i> by Cowen and Tabarrok, Ch. 21</p> <p>"Nobody can be a great economist who is only an economist – and I am even tempted to add that the economist who is only an economist is likely to become a nuisance if not a positive danger."</p> <p>- F.A. Hayek, <i>Studies in Philosophy, Politics and Economics</i> (1967)</p>
Thursday, May 6th	Final Exam	