

North Park University  
School of Business and Nonprofit Management  
SBNM 5212 Microeconomics  
Fall, Quad B 2012

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Required text:

**Dominick Salvatore, *Microeconomics Theory and Applications*, Fifth edition, Oxford University Press, New York, 2009.**

**ISBN: 978-0-19-533610-8**

NOTE: This is the latest edition of the text. Students may purchase an earlier edition, but please check with me before making the purchase.

Lee Sundholm

## **Microeconomics**

Microeconomic analysis is based on the study of markets and how they serve to allocate scarce, productive resources in order to produce and distribute goods and services. Markets represent the basic context in which exchanges are conducted between buyers and sellers. A "market economy" is a system in which these exchanges are made based on supply and demand. Market economies are found throughout the world, and are becoming the predominant system of exchange.

Adam Smith, a professor of moral philosophy, observed the market process over two hundred years ago. He found that the self-interest of an individual (choosing, for example to be a producer of goods) worked to the advantage of another person who was willing and able to buy the goods. Self-interest, he believed, provided for an internal ethical symmetry in markets.

Microeconomics presents students with the analytical tools which can be applied to solving problems encountered in business. Mathematics, including calculus, will also provide essential quantitative methods to be used in solving problems encountered in the business world. Managerial decision-making and the role of strategy will be emphasized in the context of a changing business environment. Discussions will include the ethical dimensions of business problems and issues.

## **Course Format**

A lecture format will be used. Students are expected to participate in contributing to discussions, through answering assigned questions, and by working assigned problems. The text includes Examples and Tables within each chapter, followed by a chapter Summary, Key Terms, Review Questions, and Problems.

*Additional assignments* may include readings from current publications such as Barron's, Business Week, Fortune, and The Wall Street Journal.

## **Evaluation Procedures**

Two examinations will be given. The examination with the higher grade will be weighted at 60%, while the lower grade will be weighted at 40%. The student is expected to compile a comprehensive set of class notes through regular attendance. These notes, class discussions, and text readings and written assignments are the basis of examinations. Review questions will be distributed before examinations.

## **Academic Honesty**

In keeping with our Christian heritage and commitment, North Park University (NPU) and the SBNM are committed to the highest possible ethical and moral standards. Just as we will constantly strive to live up to these high standards, we expect our students to do the same. To that end, cheating of any sort will not be tolerated. Students who are discovered cheating are subject to discipline up to and including failure of a course and expulsion.

Our definition of cheating includes but is not limited to:

- Plagiarism – the use of another’s work as one’s own without giving credit to the individual. This includes using materials from the Internet.
- Copying another’s answers on an examination.
- Deliberately allowing another to copy one’s answers or work.
- Signing an attendance roster for another who is not present.

In the special instance of group work, the instructor will make clear his/her expectations with respect to individual vs. collaborative work. A violation of these expectations may be considered cheating as well. For further information on this subject you may refer to the Academic Dishonesty section of the University’s Catalog (available at [www.northpark.edu](http://www.northpark.edu)). In conclusion, it is North Park’s mission to prepare you for a life of significance and service. Honesty and ethical behavior are the foundation upon which such lives are built. We therefore expect the highest standards of each student in this regard.

## **Attendance Policy**

The graduate courses in the SBNM are all 7 weeks in length. Missing one class session is allowed without penalty as long as all readings and assignments are made up by the student within a reasonable time period (the following week). Failing to log into an online course site for an entire week is allowed, but a penalty may be applied at the instructor’s discretion. Missing a second class session is allowed only in unusual circumstances by prior arrangement with the instructor. Since this represents almost 25% of the engagement time for the course, the student runs the risk of receiving a significantly lower grade for the class. Faculty are encouraged to drop the course grade by a full letter grade in this situation. A student who misses three classes (or the equivalent for an online class) will automatically fail the course, unless the student drops the course before the seventh week of class. Students who drop a course will be held responsible for tuition, based upon the current North Park University policy outlined in the University Catalog ([www.northpark.edu](http://www.northpark.edu)).

## **Disabilities**

Students with disabilities who believe that they may need accommodations in this class are encouraged to contact the SBNM program office (773-244-6270). Please do so as soon as possible to better ensure that such accommodations are implemented in a timely manner. For further information please review the following website: <http://www.northpark.edu/ada>.

## **Use of *APA Publication Manual***

The School of Business and Nonprofit Management (SBNM) has adopted the *Publication Manual of the American Psychological Association (APA)* as the standard and required format for all written assignments in SBNM courses.

Our goal in adopting the *APA Manual* is to enhance student learning by:

- 1) Improving student's writing skills.
- 2) Standardizing the required format of all written assignments in all SBNM courses.
- 3) Emphasizing the importance of paper mechanics, grammatical constructs, and the necessity of proper citations.
- 4) Holding students accountable for high quality written work.

If you are unfamiliar with the requirements of the *APA Publication Manual*, we recommend that you purchase the reference manual and/or that you consult one or more of the suggested resources as listed on the Student Resources section of the SBNM website. ***It is your responsibility to learn and ensure that all written work is formatted according to the standards of the APA Manual.***

## Learning Objectives

The following **Learning Objectives** for this course are established in order for students to become better able to:

1. Apply the concepts of supply, demand, market equilibrium.
2. Analyze the process of resource allocation, and the relationship to costs of production.
3. Apply the various concepts of elasticity: price, income, and cross elasticity.
4. Acquire a basic understanding of leading theories and models of the structure of markets and industries.
5. Identify the major characteristics of the contemporary market based economy: property, exchange, transactions cost, utility, and profits/losses.
6. Learn how to interpret the behavior and choices made by consumers in markets using indifference curve analysis.
7. Explain the determination of relative prices in barter and money economies.
6. Explain the concept of profit maximization, and compare it to revenue maximization and other goals of the firm.
7. Apply the notion of economic time periods: immediate (market) run, short run, and long run to production, cost
8. Explore the basic concepts underlying the demand for factors of production.
9. Appraise the effects of business strategy, game theory, and forms of competition.
10. Apply knowledge and information as decision making concepts.
11. Explore the concepts of positive and negative externalities, and the notion of public goods.
12. Explain how the study of microeconomics can provide a strong set of analytical tools for ethical managerial decision-making.

**Assignments by Session****Salvatore text**

<b>1</b> <b>Introduction</b>	<b>Chapters 1, 2, 5</b>

Introduction to economic analysis; the scientific method and model-building; the concept of the margin and ceteris paribus; the market system; the circular flow model; the role of business firms; positive and normative economics. Basic elements of supply and demand analysis; measures of elasticity: price, income, and cross elasticity.

<b>2</b> <b>Market Analysis and Mathematical Tools</b>	<b>continue</b>
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The relationship between average revenue (price), total revenue, marginal revenue, and price elasticity of demand; income elasticity and cross elasticity; differential calculus; partial elasticity measures; Porter's five competitive forces.

<b>3</b> <b>Consumer Behavior</b>	<b>Chapters 3, 4, 6</b>
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Consumer Behavior: Classical utility theory; demand and utility; risk and uncertainty; consumer Behavior: the indifference curve approach; derivation of the demand curve using indifference curves.

<b>4</b> <b>Examination 1</b>	<b>Chapter 7</b>
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<b>Production Theory</b>	
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The production function; the short-run and increasing and diminishing returns; the long-run and increasing, decreasing, and constant returns to scale; isoquant and isocost analysis; the Cobb-Douglas production function; homogeneous functions; Euler's theorem.

**Examination 1**

***Assignments by Session***

***Salvatore text***

<b>5</b>	<b>Chapters 8</b>
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<b>The Costs of Production</b>	
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Cost analysis; empirical evidence; strategic cost analysis; the production-cost chain; increasing, decreasing and constant cost industries; types of competitive strategies; cost drivers; re-evaluation of the production-cost chain; strategic alliances.

<b>6</b>	<b>Chapters 9, 10, 11</b>
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<b>Market Structures</b>	
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Profit maximization and other goals of the firm; break-even analysis; analysis of risk; social responsibility; revenue maximization and market share. The model of perfect competition; the economics of imperfect competition; monopoly, oligopoly, and monopolistic competition.

<b>7</b>	<b>Chapters 12, 13, 14</b>
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<b>Market Regulation; Game Theory; Input Pricing</b>	
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<b>Examination 2</b>	
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The welfare loss of monopoly; efficiency and regulation; basic antitrust laws;

market share and rivalry; cartels; game theory. Analysis of firms with multiple prices, plants, products, and objectives; price discrimination; target return price; other pricing strategies; resource markets; determination of profit maximizing input level.

## Examination 2

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