

George Mason University
Microeconomics 103

Professor: Dr. Thomas Carl Rustici
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Office: Enterprise Hall Room 322 (Fairfax Campus)
Office Hours: MWF 9:30-10:15am, 1:00-2:00pm
Tues. 3:30-4:00pm

Objectives:

The lectures and readings in this course are designed to familiarize students with the fundamentals of microeconomic theory. The central focus this course takes is an understanding of the process of price formation in a free exchange economy. Various market institutions such as: the firm, advertising, profit-loss mechanism, futures speculation, and property rights are explored for their role in the coordination of economic activity. Finally, these principles are applied to the larger issues of economic growth, environmental quality, and "political market dynamics" of representative democracy.

Grades:

There are four exams in this course, three midterms and a comprehensive final. Make-up for exams is only permissible if the student notifies the instructor *before* the scheduled testing or because of extraordinary circumstances. All cases of unexcused absences for tests receive a zero. The grading scale is as follows: 90-100% = A, 80-89% = B, 70-79% = C, and so on.

Note: THERE IS NO CURVE IN THIS CLASS.

The course grade is weighted as follows:

Exam 1:	15%
Exam 2:	20%
Exam 3:	25%
Final:	40%

Required Texts:

<i>Microeconomics</i> by J. Gwartney & R. Stroup	(GS)
<i>Principles of Economics</i> by Carl Menger	(CM)
<i>Economics In One Lesson</i> by Henry Hazlitt	(HH)
<i>Economic Policy</i> by Ludwig von Mises	(LM)

A suggested book but not required is *Atlas Shrugged* by Ayn Rand. The final exam will

have a very substantial amount of extra credit question points drawn from this book. The midterm exams *may* also have extra credit questions drawn from the book.

A number of other helpful readings are located on my web page. While these articles are not required reading for the course, it is strongly suggested that students take advantage of this optional reading material. These articles are designated with an asterisk (*).

Attendance:

Regular attendance is crucial for successful completion of this course. A large portion of the test material comes from the class lecture. If for any reason regular attendance becomes difficult, inform me as soon as possible. Furthermore, I expect students to be on their best behavior while in class. No horseplay, noise, eating or drinking etc.

Note: Students who disrupt the class will be removed without warning and receive an immediate “F” for the course.

Honor:

This course demands the highest standard of conduct. Cheating and/or plagiarism of any kind *is not tolerated*. Violation of this code results in an immediate “F” for the course and reported to the Honor Committee.

Course Schedule:

Week 1: *Spontaneous Order: The Big Picture*
(GS) Chapters 1-2
(HH) Chapters 1-3
(*) Dwight Lee and Robert McKnown, *Order From Chaos*
Class Handout: Leonard Reed, *I, Pencil*

Week 2: *The History of Economic Thought: Aristotle Through The Classical School*
(GS) Chapter 3
(CM) Chapters 1-2

Week 3: *The Neoclassical Revolution: Marginalism and Subjectivism*
(GS) Chapter 4
(CM) Chapters 3-4
(HH) Chapters 8-10
(LM) Chapter 1
(*) Hans Sennholz, *The Formation and Function of Prices*

Week 4: *The Law of Supply and Demand*
(GS) Chapter 7
(CM) Chapters 5-6

Week 5: *The Role of the Price System*
(GS) Chapter 12
(HH) Chapters 15-19
(LM) Chapter 3
(* Thomas Rustici, *A Public Choice View of the Minimum Wage*
(* Hugh Rockoff, *Price Controls*
(* Walter Block, *Rent Controls*

Exam 1

Week 6: *Opportunity Costs and Comparative Advantage*
(GS) Chapter 8

Week 7: *Exchange Rates, International Trade, and Foreign Investment*
(GS) Chapter 16-17
(HH) Chapters 11-14
(LM) Chapter 5
(* David Ricardo, *On Foreign Trade*
(* Frederic Bastiat, *The Candlemaker's Petition*

Week 8: *Production: The Economic Theory Of The Firm*
(GS) Chapter 8-9
(* A. Alchian & H. Demsetz, *Production, Information Costs & Economic Organization*
(* Ronald Coase, *The Nature Of The Firm*

Week 9: *Cost Curves and the Perfect Price Competition Model*
(GS) Chapter 10
(LM) Chapter 2

Week 10: *Monopoly Theory and Antitrust Policy*
(GS) Chapter 11
(* Tom Dilocenzo, *Competition: Except Where Prohibited By Law*
(* Fred McChesney, *Antitrust*

Exam 2

Week 11: *The Economics Of Information*
(GS) Chapter 13 & Special Topics 2,4,6
(* Paul Heyne, *Information, Middlemen and Speculators*

Week 12: *The Theory of Income Determination*
(GS) Chapters 12,13,15 & Special Topics 3,5,7,8
(HH) Chapters 20-22
(LM) Chapter 4

Exam 3

Week 13: *Economics and the Environment*

(GS) Special Topics 10-11

(*) John Baden and Richard Stroup, *Saving The Wilderness*

(*) Robert Smith, *Resolving the Tragedy of the Commons*

Week 14: *Public Choice: The Economics of Politics*

(GS) Chapter 5-6 & Special Topics 1,9

(LM) Chapter 6

(*) Thomas Rustici and Alan Koczela, *Public Goods and Public Choice*

(*) James Madison, *Federalist 10 & 51*

Week 15: *Economic Growth and the Free Society*

(GS) Chapter 14

Final Exam