

**College of Micronesia-FSM
P.O. Box 159
Kolonia, Pohnpei FM 96941**

Course Outline Cover Page

Microeconomics
Course Title

EC 220
Department and Number

Course Description:

To build on the understanding of how the economy works, the study of maximization and optimization of scarce resources, and how the production and distribution choices are made in an economic system. The function of the market and consumer behavior, the market process in the real world and externalities; comparative advantage, specialization, and trade. Cost and revenue structure of the firm in the short and long run and price mechanism.

Course Prepared by: Business Administration **State** Pohnpei-national campus

	Hours per Week		No. of Week		Total Hours		Semester Credits
Lecture	3	X	16	=	48/16	=	3
Laboratory	_____	X	_____	=	_____	=	_____
Workshop	_____	X	_____	=	_____	=	_____
Total Semester Credits							<u>3</u>

Purpose of Course:

Degree Requirement	_____
Degree Elective	_____
Certificate	_____
Remedial	_____
Other (workshop)	_____

Prerequisite Course(s): BU 101

James
Signature, Chairperson, Curriculum Committee

12/1/1998

Date Approved by Committee

12/23/98

Date Approved by President

MICROECONOMICS EC220 - COURSE TITLE

A. GENERAL OBJECTIVE

To build on the understanding of how the economy works, the study of maximization and optimization of scarce resources, and how the production and distribution choices are made in an economic system. The function of the market and consumer behavior, the market process in the real

world and externalities; comparative advantage, specialization, and trade. Cost and revenue structure of the firm in the short and long run and price mechanism.

B. SPECIFIC OBJECTIVES

The student will be able to:

1. Explain interdependency of scarcity, economic value, and price, and its relationship with economic problem. Draw a graphic illustration of the economic problem.
2. Solve the economic problem with the use of the marginal concept and economic model.
3. Identify the three basic economic questions and the three ways of answering these questions. Identify and explain the factors of production.
4. Be able to explain the determinants of supply and demand and the market equilibrium.
5. Show the role of specialization and comparative advantage and gains achieved in trade. Also to be able to show the graphical representation of comparative advantage and gain from trade. Explain the economic integration in facilitating international trade.
6. Analyze the question of demand and supply for input factors such as labor, land, and capital. Also use graph to demonstrate the understanding of the concept of demand and supply of factor input.
7. Use indifference curves and budget lines in explaining consumer behavior. Also, calculate the three types of elasticity of demand, and explain their significance towards pricing of goods.
8. Analyze the price mechanism from the supply point of view in relation to cost of production. Be able to show graphically the law of diminishing returns and how it influences the other cost curves.
9. Calculate the three types of elasticity of demand, and explain their significance towards pricing of goods. Be able to use graph to explain the average and marginal revenue in pure and monopoly market competition.
10. Be able to use graph to show and explain the relationship between cost curves for the most profitable output such as fixed cost, variable cost, total costs, average variable cost, average total cost and marginal cost.
11. Be able to use graph to illustrate all the revenue curves for both monopoly and pure competition markets such as total revenue, average cost and marginal cost curves.
12. Derive the optimum output through the use of cost and revenue structure. Describe the functional interrelationships among the input and output market.
13. Explain how the supply and demand works in the real world. Be able to use supply and demand graph to illustrate both the converging and diverging the cobweb theorem. Also explain the inequality and self-perpetuating nature of wealth:
14. Define various types of competition in the real world market structure. Be able to show graphically the demand for various types of competition.
15. Explain the role of price in the real world market model. Be able to show the various types of pricing policies by using graphs.

C. TEXTS AND REFERENCES

Economics: The science of common sense; E.V. Bowden, Eighth edition, SouthWestern Publishing Company, Chapters 2-5 and 20-29.

D. METHODS OF INSTRUCTION

Lectures, guest speakers, projects, practice exercises, videos, and various individual and group assignments.

E. COURSE CONTENT

- a. An introduction to basic ideas
- b. The marginal concept and scientific economic analysis
- c. The market process and the price mechanism
- d. Demand, supply, and prices. Pure market system
- e. Exchange and the market process
- f. Income distribution, and the input question
- g. Consumer Demand analysis: marginal Utility, Elasticity
- h. Short-run cost analysis
- i. Market demand, prices and the firm's revenue analysis
- j. The "Optimum Output" decision and the market supply curve
- k. Market structure, and "Optimum Input Mix"
- l. The powerful function of the price: Market Free Economy
- m. Micro instability, inequality, externalities
- n. Monopoly power and administered prices
- o. Real world price analysis

F. EVALUATION

Grades will be assigned based on the following percentage of total points received from exams, projects, quizzes, homework assignments, and the mid-term and final exams.

A.....	90% and above
B.....	80% to 89%
C.....	70% to 79%
D.....	60% to 69%
F.....	59% and below

G. ATTENDANCE POLICY

The COM-FSM attendance policy will be observed. Seven absences (or equivalent) will result in automatic withdrawal from classes. Any homework assignment must be turned in on time, regardless of attendance. No quizzes or exams can be made up to without a valid medical excuse.