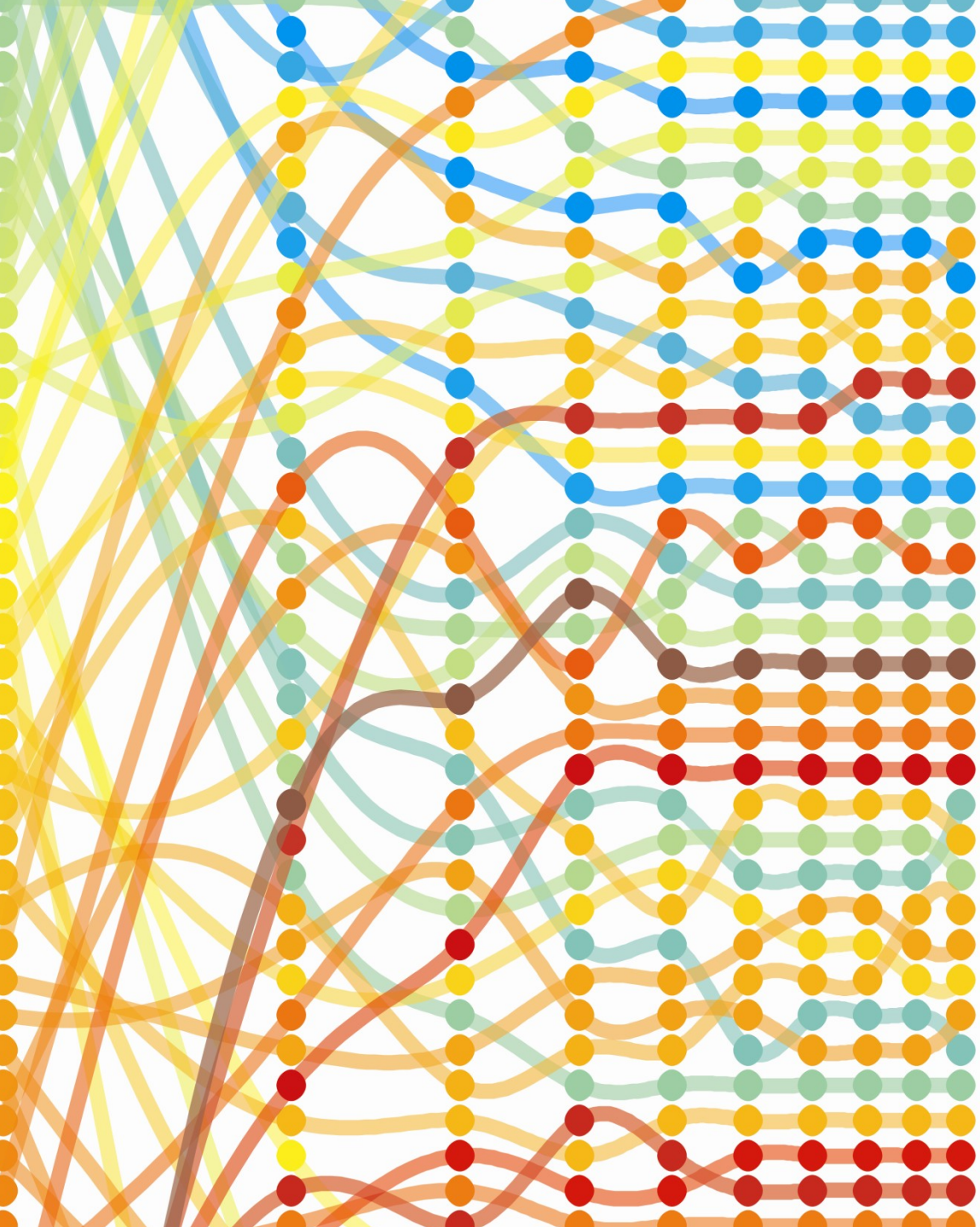


Why do we need to study (even more) microeconomics?

Carlos R. Pitta, PhD
Assistant Professor,
Business School,
Austral University of Chile

Assistant Professor,
Economics Department,
University of Florida,

First Lecture, ECO 3101, Intermediate Microeconomics

Have you ever fantasized about your wildest dream?
Is it to be…

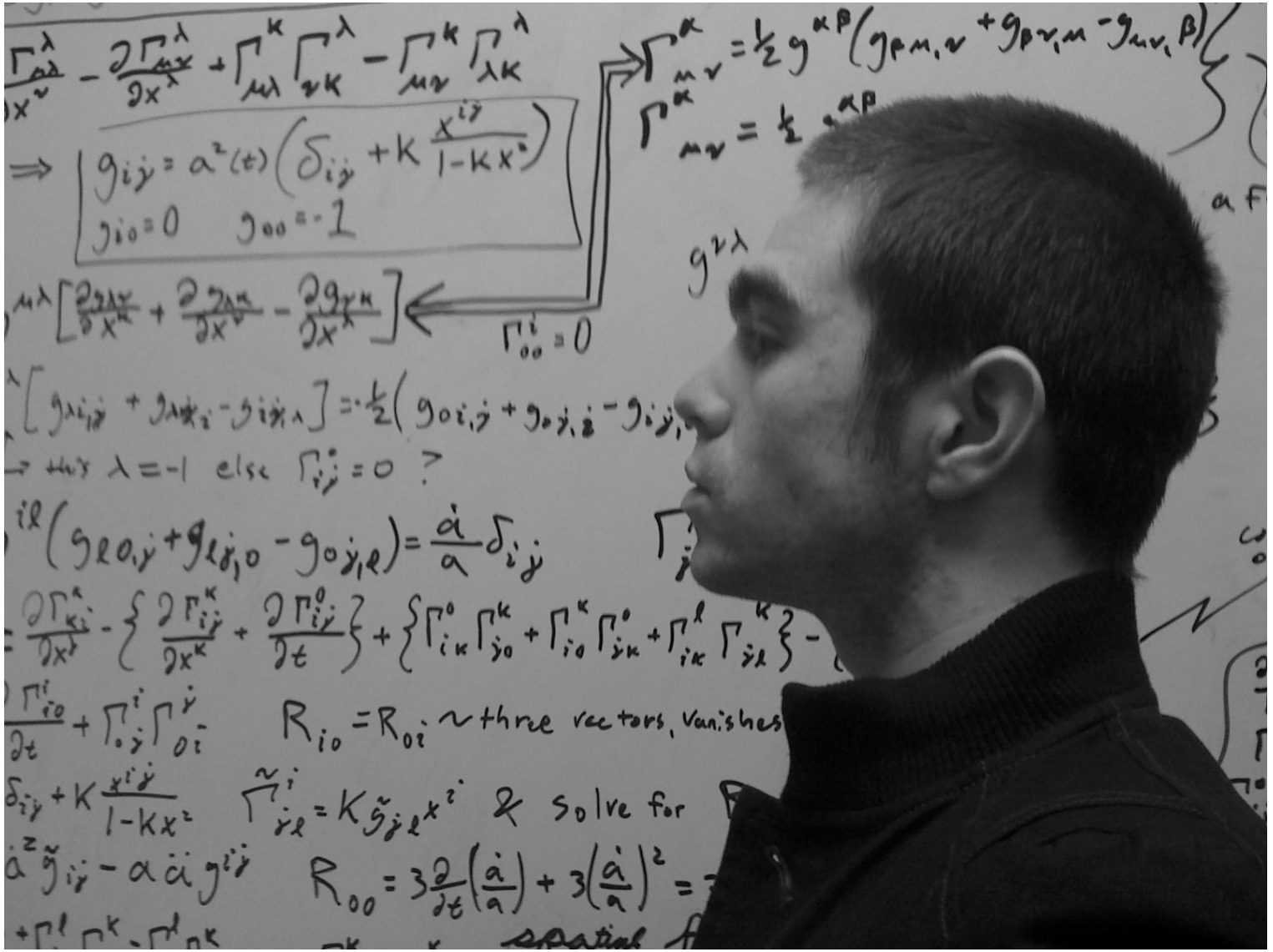
… Rich?



… Attractive?



… Smart? (So you can be rich… or attractive)



… Spiritual? (So you don’t need to be rich)



… Successful?



Happy?...



If you think about it, it doesn't matter what you wish, there's always at least one person that have achieved it before. Then, why can't that person be

YOU?

Every goal is achieved taking decisions. Those decisions, however, need to be optimal. The process to analyze the decision making process is called Microeconomics (and, in general, Economics).

Making the right decision matters. Let's review a few instances in which taking optimal decisions (otherwise known as economics) can probe extremely useful…

(So we can take over the world, of course)

Missing Women



(Sen, Amartya. “More than a 100 million women are missing”. New York Review of Books, 1990)

The ratio (women/men) in the general adult population is normally around 1.05 in America and Europe.

This ratio IS NOT inconsistent with the 0.93 registered statistically at born. Male mortality after born is much higher than female’s.

However, the adult population ratio in many regions in Asia and China was 0.94 by mid 80s.

(Sen, Amartya. “More than a 100 million women are missing”. New York Review of Books, 1990)

Region	Ration (w/m)
Europa, America and Japan	1.03
India and Pakistan	0.94
Bangladesh	0.90
Punjab and Haryana, India	0.84

Something weird was going on.

Economist Gary Becker's seminal work ("The Economic Approach to Human Behavior" in 1976 and, "A Treatise on the Family" in 1981) concluded basically that all human behavior can be studied using economics.

Family, in this framework, is viewed as a productive unit (like a firm), and because of that it share the same goals of efficiency and profit (or happiness) maximization. Having children is an investment decision, for instance, as is marriage or divorce.

Sen's rationale was that the role of women as a productive input differs depending on the region of the world.

Women are less productive for the "Family" enterprise in countries where female access to labor market is harder.

Sen created a list of regions in the word in which the probability of female access to labor markets is the explanatory variable (**x**), and regressed it with the respective ratios (w/m), and is the first to find statistical evidence of what became known as "*the case of the missing women*". (Without China)

After this, Sen analyzed China:

→ In 1979, the one child per family policy is introduced. The model predicted less women will be born.

→ In fact, child mortality went up from 37.7 by every thousand in 1978, to 67.2 in 1984.

→ Sen's explanation? Female child infanticide. In China, women were seen as "less productive" because they had limited access to labor markets.

3 Neanderthals

We’re so used to be like we are that we seldom ask ourselves why we look like this…



In fact, we did not always looked like today. To understand why we need to grasp two concepts:
1) Climate change;
2) Economics.



200.000 to 100.000 years ago, Europe.

A new climate phenomenon, glaciation, made possible the appearance of homo sapiens Neanderthalis.

100.000 years ago, Africa.

Constant droughts left a group of hominids at the verge of extinction: the homo sapiens sapiens.

What's the difference between…



The homo Sapiens had a definitive comparative advantage, fundamental and unique to the human species: imagination.
Homo Neanderthalis didn't.

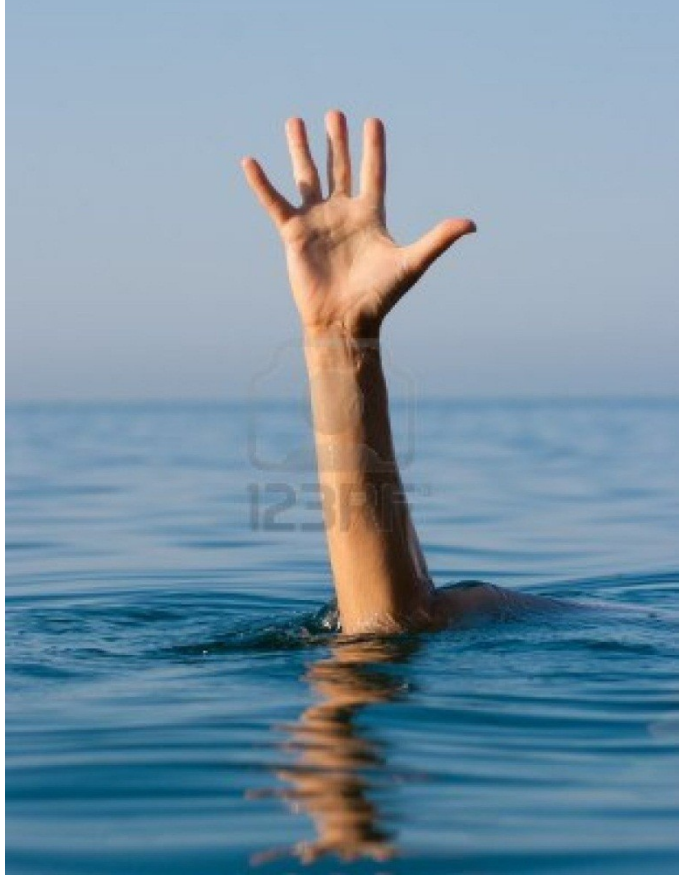
Imagination enabled two fundamentally transformative steps in human evolution:

1) Planning;

2) Commerce.



No air conditioning and …



Droughts for 10 months

Monsoon for 02 months

Living in the Paleolithic era sucks!



1) Planning the Future

+





=





Gosh darn it! Berries for dinner once again!

2) Commerce

Hungry, won´t survive, must hunt now!



Crazy dude, must fly! Wait… oh man!




Would it be
possible to ...



Planning allowed **homo sapiens sapiens** to develop a special art: agriculture. **Commerce** allowed to share the gains from specialization, and to disperse technology… we already know the rest of the history.



Modern archaeological evidence shows that other homo sapiens didn’t practiced commerce. Eventually, Homo Sapiens Neanderthalis, although almost human, became extinct.

4 Drugs

Does Drug Interdiction Increase or Decrease Drug-Related Crime?

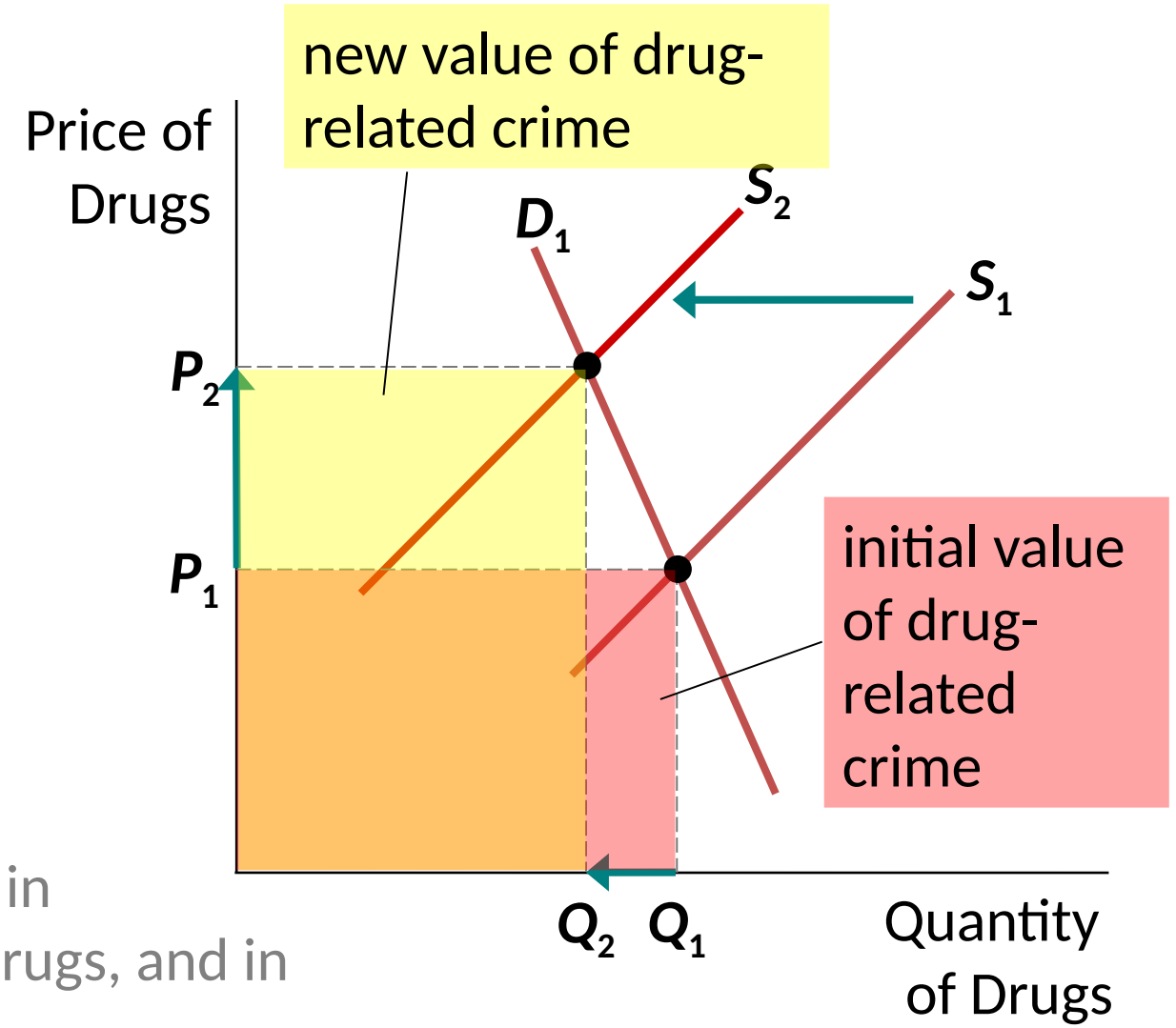
- One side effect of illegal drug use is crime: Users often turn to crime to finance their habit.
- We examine two policies designed to reduce illegal drug use and see what effects they have on drug-related crime.
- For simplicity, we assume the total dollar value of drug-related crime equals total expenditure on drugs.
- Demand for illegal drugs is inelastic, due to addiction issues.

Policy 01: Interdiction

Interdiction reduces the supply of drugs.

Since demand for drugs is inelastic, P rises proportionally more than Q falls.

Result: an increase in total spending on drugs, and in drug-related crime

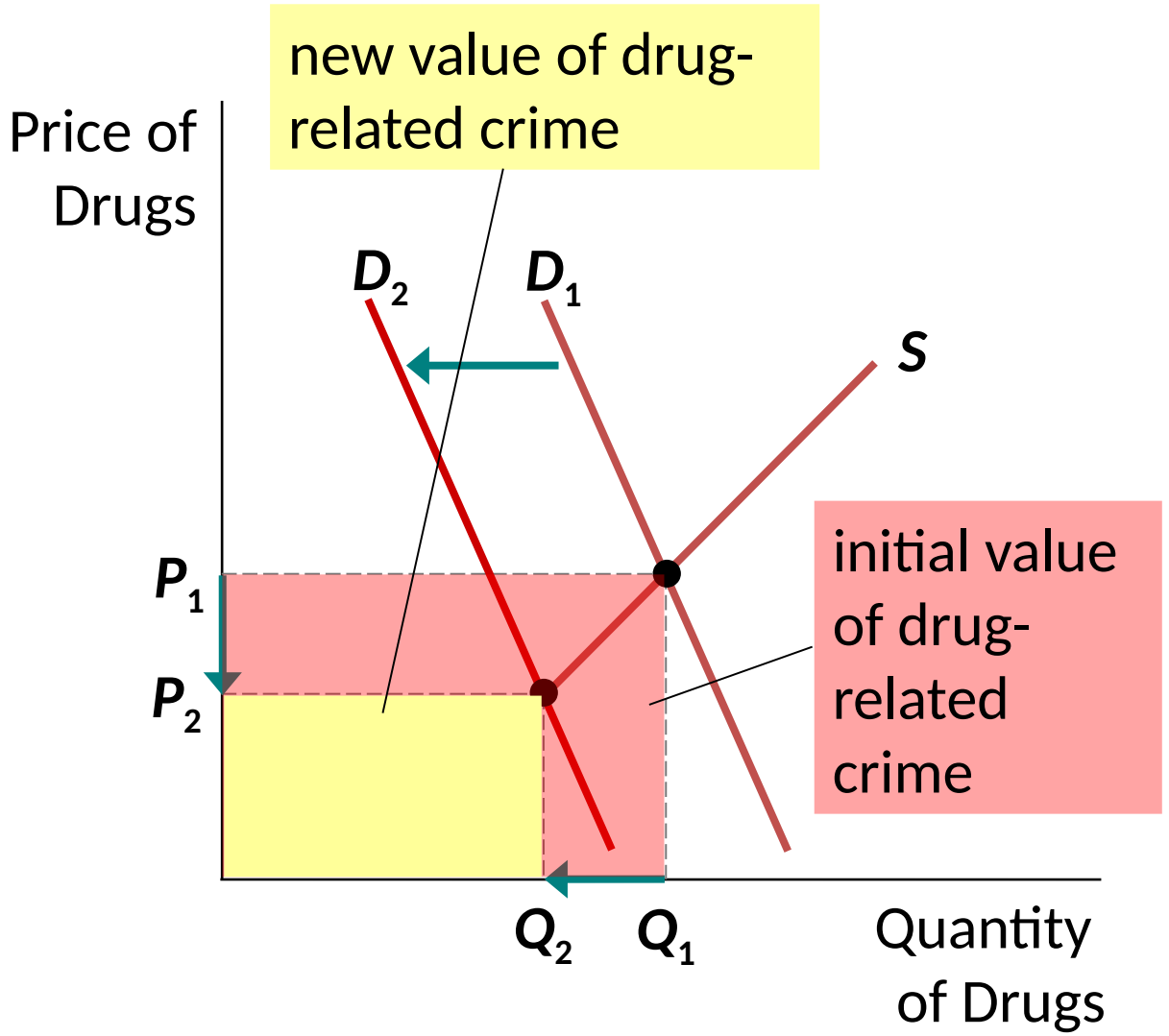


Policy 02: Education

Education reduces the demand for drugs.

Both **P** and **Q** fall.

Result:
A decrease in total spending on drugs, and in drug-related crime.



I hope you can glimpse how economics is like a superpower. Master it, and you can get whatever you want!

However!

First, you must pass ECO 3101, Intermediate Microeconomics!

General Info

INGI 151 -- Identificación general			
Docentes responsables Correo electrónico	Dr. Carlos Pitta (Profesor) carlos.pitta@uach.cl	Docentes colaboradores Correo electrónico	
Horario y sala de clases	Lunes: 11:30 a 13:00 horas, Sala 20 Martes: 11:30 a 13:00 horas, Sala xx Horario de Atención Alumnos: Viernes 16:30 horas, previa coordinación con el docente responsable de la asignatura.		
Año y semestre	2022 / I Semestre		

Descripción del Curso

La asignatura de entorno Microeconomía I tiene como objetivo que el estudiante comprenda los criterios, las diversas variables y teorías que explican el comportamiento del consumidor, productor y la formación de precios en un contexto de mercados de competencia perfecta.

Referencias a utilizar

[**Nicholson**] *Teoría Microeconómica*. Nicholson, W. (2008). Cengage Learning: México. (BPM338.5 NIC 2008)

[**Pitta**] *Apuntes de Clase.*

Contenidos Tentativos del Curso

Unidad I:	**Demanda**
Unidad 01:	Introducción (Cap 01, Nicholson)
Unidad 02:	Matemáticas (Cap 02, Nicholson)
Unidad 03:	Preferencias y Utilidad (Cap 03, Nicholson)
Unidad 04:	Elección (Cap 04, Nicholson)
Unidad 05:	Demanda (Cap 05, Nicholson)
Unidad 06:	Leyes (Cap 06, Nicholson)

SOLEMNE 01 (17 mayo)

Contenidos Tentativos del Curso

Unidad II:	**Oferta**
Unidad 07:	Tecnología (Cap 07, Nicholson)
Unidad 08:	Costos (Cap 08, Nicholson)
Unidad 09:	Oferta (Cap 09, Nicholson)
Unidad III:	**Oferta**
Unidad 10:	Equilibrio parcial (Cap 10, Nicholson)

SOLEMNE 02 (05 julio)

Evaluación

Reglas del Juego

Primera evaluación solemne:	35% de la nota de presentación
Segunda evaluación solemne:	35% de la nota de presentación
Tareas y ensayos:	30% de la nota de presentación

Nota de Presentación:	**100%**
Recuperativa:	**35%**

Del total de controles parciales y tareas, se borrarán las dos peores notas. Como consecuencia no se considerarán controles recuperativos, ni se tomarán en cuenta justificativos de ningún tipo.
La nota de presentación corresponde al 70% de la nota final.

Features of Section 13H6

- You may skip ONE midterm, no questions asked, before you see the test.
- If you choose to do that, your Final Exam will be worth 50% instead of 30%.
- You cannot skip two midterms, or the Final Exam.
- Again, you MUST attend the comprehensive Final Exam.
- We have 4 problems sets worth 20% of the final grade, 5% each.
- Handed out: on Mondays (September 05, October 03 and 24, and November 14)
- Due: Wednesdays, two week after (September 19, October 17, November 07 and 28)
- We will have 4-6 random quizzes on the last 20 minutes of the second block of Wednesday's class (lowest grade dropped).

Features of Section 13H6

Percentage (y)	Grade
y > 90%	A
85 % < y < 90 %	B+
80 % < y < 84 %	B
75 % < y < 80 %	C+
70 % < y < 74 %	C
60 % < y < 70 %	D+
50 % < y < 60 %	D
y < 50 %	F

Minus grades will be considered at Instructor's discretion.

Decimal Points will be awarded. Be always prepared and don't disregard these, they add up!

Contents and deadlines

Monday	Topic/Activity	Wednesday	Topic/Activity
Section 01: Demand			
Aug 22	Seminar, Syllabus and Math	Aug 24	Math Refresher
Aug 29	Chapter 02, Budget Constraint	Aug 31	Chapter 03, Preferences
Sep 05* (1)	**Labor Day**	Sep 07	Chapter 05, Choice
Sep 12	Chapter 06, Demand	Sep 14	Chapter 06, Demand
Sep 19**	Chapter 08, Slutsky Equation	Sep 21	Chapter 14, Consumer's Surplus
Oct 03* (2)	**Recitation 01:** Individual Demand	Oct 05	**Midterm on Individual Demand**
Oct 10	Chapter 15, Market Demand	Oct 12	Chapter 16, Equilibrium
Section 02: Supply			
Oct 17**	Chapter 19, Technology	Oct 19	Chapter 20, Profit Maximization
Oct 24* (3)	Chapter 21, Cost Minimization	Oct 26	Chapter 22, Cost Curves
Oct 31	Chapter 23, Firm Supply	Nov 02	Chapter 24, Industry Supply
Nov 07**	Chapter 25, Monopoly	Nov 09	Chapter 26, Monopoly Behavior
Nov 14* (4)	**Recitation 02:** Supply	Nov 16	**Midterm on Supply**
Section 03: Selected Topics			
Nov 21	Chapter 12, Uncertainty	Nov 23	**Happy Thanksgiving!!**
Nov 28**	Chapter 35 and 37, Externalities	Nov 30	Chapter 31, Behavioral Economics
Dec 05	Final Lecture	Dec 07	**Recitation 03:** Final Preparation
Final Exam, Thursday 15 of December, MAT 103, Hour block A (07:30 to 09:30 am) *** = Problem Set handed out. ** = Problem set due.**			

That’s all folks!

Thank you for attending
ECO 3101