

Economics 101
Introduction to Economics
Fall 2004

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Hours: Wednesday 3:00-4:30pm,
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"The theory of economics does not furnish a body of settled conclusions immediately applicable to policy. It is a method rather than a doctrine, an apparatus of the mind, a technique of thinking, which helps its possessor to draw correct conclusions."

John Maynard Keynes

"To theorize and yet stay within the constraint of explaining reality may be a difficult task, 'but how much more satisfying the hunt.'"

Walter Adams and James Brock quoting Paul Samuelson in The Bigness Complex

Course Objectives: The main goal of this course is to equip the student with problem solving tools which should help him or her solve economics problems systematically. Students should also develop economic intuition which will help them analyze policies they will encounter in this course and for the rest of their life. These objectives will provide the student with a framework for thinking about the world around us and to develop intuitions from that framework. Students who plan to major in economics will learn invaluable tools needed in later courses. Students who do not should be able to make more sense of the world because of this course. I emphasize understanding rather than memorization. Students should learn the economic way of thinking, and problems in this course are designed to aim students toward the goal of thinking like an economist.

Textbook: The text for Economics 101 is Microeconomics by Pindyck and Rubinfeld (Sixth Edition). This textbook has been used before as an upper level text, and it explains concepts more thoroughly than typical principles texts. Reading it carefully will hopefully give the student additional insight into the material presented in class. Reading, however, is not a substitute for lecture. I will list sections or chapters in the book that complement the lectures later in the syllabus.

Lectures: It is expected that students come to class. Excessive absences may negatively affect the final grade, but attendance with earnest participation will be rewarded. I encourage students to speak up if even one student does not understand something I have said in class. Do not ask your neighbor about something; rather, ask me directly. It is likely that if it was not clear to you, others are in the dark as well. Your fellow students will appreciate your question.

Homework/Quizzes: Typically, I will give out homework assignments every Friday. Problems on homework assignments are designed to stretch the student to use the tools (previously learned in class) in a new way. I expect students to struggle on homework so that they may learn the economic way of thinking and be adequately prepared for the exams (where students will see problems they never have seen before). I encourage students to work in groups for homework, but note that it is best for them at least to have attempted every problem on their own before coming together as a group (or to me or the tutor). Working with fellow classmates on homework problems is not a violation of the honor code. **Obtaining answers to the homework problems before I give them to you is a violation of the honor code.** Instead of students turning in homework, I will offer a quiz each Friday after I hand out homework problems. If a homework assignment was not handed out the previous Friday, I reserve the right to administer a quiz. The quiz will be closed book, and will usually consist of one of the homework problems assigned. I will drop the lowest three quizzes. If a student is absent for any reason on a quiz day, or comes to class after the quiz has been collected, he or she will receive a zero on the quiz. If student leaves class after the quiz, he or she will receive a zero on the quiz. It is because I know both expected and unexpected absences will occur that I drop the three lowest quizzes. Therefore, please do not ask if I will make an exception in your case. If other homework or extra credit comes up throughout the course, I will not accept late work. I will, however, allow for students to take a homework quiz early, provided there is a legitimate excuse for an upcoming absence.

Office Hours: I have set aside specific times when I will be in my office to help you with matters pertaining to the course. Students who are having trouble are encouraged to come see me early on. Microeconomics builds on itself and waiting too long to get help only makes it more difficult to catch up. If a student has a time conflict with scheduled office hours, I will be happy to make appointments outside of office hours. I may be busy if you come to my office at an unscheduled time, and if so, we can schedule another time.

Grading: Each student's course score will be calculated in two ways, and the higher of the two will be used as the final score. In the first method, homework/quizzes are 25%, each midterm exam is 20%, class participation is 5%, and the final exam is 30%. In the second method, homework is 25%, the highest midterm exam scores is 20%, class participation is 5%, and the final exam is 50%. In essence, the second method allows the student to drop one midterm exam, shifting the weight to the final exam. In the event of an excused absence during the final exam, the student's grade will be renormalized and determined from previous exams, homework, and participation. The exam dates are as follows:

Exam 1: September 27.

Exam 2: November 8.

Final Exam Schedule (students may take the exam with either section):

Friday, December 10, 5:30-8:00pm (C)

Wednesday, December 15, 8:30-11:00am (B)

Since the grading policy allows for the student to drop one midterm, no make-up exams will be given. In some cases, however, I will allow a student to take an exam early. A missed exam for any reason will force the student to be evaluated under the second grading method. All exams are cumulative.

Topics to be covered – Reading from Pindyck & Rubinfeld:

Budgets – 3.2 (pp 79-82)

Tastes – 3.1 (pp 65-78)

Optimization – 3.3, 3.4 (pp 83-91)

Income and Substitution Effects – 4.2 (pp 116-121)

Demand - 4.1 (pp 108-115)

Labor Supply – 14.1 (pp 525-527)

Taxes and DWL

Elasticities – 4.3 (pp 122-127)

Technology, MP, Input Demand – 6.1-6.2 (pp 188-198)

Short Run Costs – 7.1-7.2 (pp 213-224)

Profit Maximization and Supply – 8.1-8.3 (pp 262-267)

Short Run Equilibrium – 8.4-8.5 (pp 268-275)

Long Run Equilibrium – 8.7 (pp 281-286)

Invisible Hand Theorem – 9.2 (pp 306-309)

Price Ceilings – 2.7, 9.1 (pp 55-57, 299-305)

Non-price Rationing

Farm Policy, Price Floors - 9.3-9.4 (pp 310-320)

Taxes and Subsidies – 9.6 (pp 326-331)

MWTP versus Demand

The Prisoners' Dilemma – 13.2-13.3 (pp 476-479)

Externalities – 18.1-18.4 (pp 641-658)

Public Goods – 18.5 (pp 665-669)

Oligopoly – 12.4-12.6 (pp 453-467)

Monopoly – 10.1-10.4 (pp 340-363)

Monopolistic Competition - 12.1 (pp 436-440)

Adverse Selection, Moral Hazard – 17.1-17.3 (pp 614-626)