

Economics 101: Introduction to Economics

Fall 2007

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Introduction and Motivation

Welcome to the “writing intensive” sections of Economics 101. This is the introductory course in *microeconomics*, which studies the behavior of individuals, firms, and governments in response to different incentives. The Rhodes College Catalog describes the introductory economics sequence as follows:

A survey of economic analysis and institutions combining economic theory with a discussion of applications to the U.S. economic system for majors and non-majors.

First semester (microeconomics): Study of the behavior of consumers and firms in competitive and noncompetitive markets, and the consequences of this behavior for resource allocation and income distribution. Consideration of government’s role in competitive and noncompetitive markets.¹

Economic analysis provides us with a way of thinking about the world that examines how people respond to incentives. This course will help you learn to think like an economist. Mastery of the “economic way of thinking” will open up a whole new world of ideas, approaches, and perspectives.

This course will focus on several key issues: the nature of incentives, basic models of consumer and producer behavior (as well as their applications), the workings of “supply and demand,” the causes and consequences of government intervention, the social role of profit and loss, and the consequences of each for human well-being. The Rhodes Vision states that “Rhodes College aspires to graduate students with a life-long passion for learning, a compassion for others, and the ability to translate academic study and personal concern into effective leadership and action in their communities and the world.” Understanding economics is integral to the Rhodes Vision in that economics equips you with a unique critical perspective. While economic analysis *as such* does not produce value judgments, careful economic reasoning can inform “effective leadership and action” in that what you learn in this course will help you carefully evaluate and act on policy proposals, whether it be in the boardroom or at the ballot box. This syllabus provides a tentative guide to the course. The assignments and course outline are subject to change.

¹ <http://www.rhodes.edu/images/content/economics.business.administration.pdf>. The second course in the sequence, *macroeconomics*, focuses on the aggregate economy.

Economics 101 and Foundation Requirements

Sections 3 and 4 of Economics 101 fulfill two foundation requirements, F2 (“Develop Excellence in Written Communication”) and F8 (“Explore and understand the systematic analysis of human interaction and contemporary institutions”). We will fulfill the F2 requirement through a series of exercises in writing, editing, and revision as described under “Assignments and Grades.” We will fulfill the F8 requirement through papers, assignments, exams, lectures, and in-class discussion.

Navigating Economics 101

With proper effort, this course will be a rich and rewarding experience. You are expected to attend all class meetings and do the assignments. I will draw on the assigned readings and supplementary material very extensively for assignments, exam questions, and course lectures. **Be prepared to spend eight to twelve hours per week outside the classroom on the work for this course.** There is no One Right Way to study or take notes; however, I encourage you to consult <http://www.studygs.net/index.htm> for suggestions.

You are responsible for all course material, announcements, and assignments. If you have to miss class for any reason, you will need to get the relevant information from a classmate. In addition, I will send assignments and updates via email to your @rhodes.edu account, which you should check daily. You are responsible for anything I send you via email. My advice: save the emails because they might come in handy as the semester progresses.

In addition to the economic theory and applications you will learn, this course will also be an exercise in managing large amounts of complex information. For most of the material, exposure during class meetings will not suffice: you will need to study the material before class and after, and I strongly encourage you to follow directions regarding tutoring sessions, office hours, and the writing center. For your three papers, I encourage you to discuss the theoretical material with your classmates, your study group, your friends, your grandmother, and anyone else who will listen. **You may not, however, share your written work with anyone except me or the staff at the writing center unless you are specifically instructed to do otherwise.**

This course, its content, and its policies change from semester to semester. You should proceed with the assumption that this syllabus and direct communication in class and through email are the only reliable sources of information about this class and its requirements.

The Honor Code and Plagiarism

You are expected to abide by the Honor Code in all that you do for this course. The Honor Council Constitution defines plagiarism as “an act of academic dishonesty. A student must not adopt or reproduce ideas, words, or statements of another person without appropriate acknowledgment.” If you have any questions about what constitutes “academic dishonesty” and “appropriate acknowledgment,” please discuss them with me and with the staff at the Writing Center.

Academic Support

Tutoring: the tutor this semester will be Vivian McWilliams. She will be available on Tuesday and Thursday evenings from 7-8:30 in Barret 331.

Disability Services: If you have a documented disability and wish to receive academic accommodations, please contact Melissa Butler McCowen at the Office of Student Disability Services immediately (x3994, mccowenm@rhodes.edu). **Special accommodations will not be granted without proper documentation from the Office of Disability Services;** please make arrangements with ODS as soon as possible so that we can make the accommodations you need.

The Technology Helpdesk: you can reach them at x4357 or helpdesk@rhodes.edu.

Readings

Steven Landsburg, *Price Theory and Its Applications*, 7th edition (main text). The course will follow the book very closely. The outlines for the sixth and seventh editions are virtually identical.

Thomas Sowell, *A Conflict of Visions*. We will motivate our pursuit of the F8 foundation requirement with Sowell's discussion of the differences between the "constrained vision" and the "unconstrained vision." Economics is largely an exercise in the "constrained vision." A new edition was released this year, but we will follow the edition available at the bookstore.

Tim Harford, *The Undercover Economist*. Harford offers an entertaining and non-technical treatment of many economic issues that we will use to supplement some of our in-class discussions.

David Allen, *Getting Things Done* (recommended). I encourage you to invest in an effective time- and information-management system. Allen's book offers one of the best I've encountered.

Additional readings will be made available in class, in the public folder on the academic fileserver, by email, and via WebCT.

How to Use the Readings

Textbooks and other kinds of academic prose cannot be read like novels. Some reading experts suggest that the best way to proceed is to thoroughly "preview" everything: read the introduction, the conclusion, and the sub-headings before you proceed. Make note of visual aids and definitions in the margins. Familiarizing yourself with what you are about to do is an exercise in reinforcement and repetition that will prime your mind for effective study. Whenever we begin a new chapter in Landsburg, you should read the introduction and conclusion first. The best way to preview Sowell is to read the introduction, skim the subject headings, and read the "summary and implications" sections before reading each chapter.²

² See in particular Wade Cutler's *Triple Your Reading Speed* and Tony Buzan's *Make the Most of Your Mind* for more suggestions.

Assignments and Grades

You will have the opportunity to earn 1050 points in this course, distributed as follows:

1. To fulfill the F2 writing requirement, 50% of your grade must come from writing assignments. You will have the opportunity to earn these points with three 150 point papers, two shorter 25 point assignments (a referee report and a “letter to the editor”), and several shorter essays assigned as homework.
2. You will have the opportunity to earn 450 points on two exams and a final, each worth 150 points. Learning will be rewarded: if your grade on the final is better than your lowest exam grade, your lowest exam grade will be re-calculated as $(1/3 \text{ lowest exam}) + (2/3 \text{ final}) = \text{new lowest exam score}$. Thus, if you score 90 points on the first exam, 120 points on the second exam, and 150 points on the final, your new grade for the lowest exam will be $(1/3)*(90) + (2/3)*(150) = 130$.
3. Quizzes and Homework: 100 points. These will take the form of short out-of-class and in-class assignments worth five and ten points each.
4. Bonus opportunities: there will be several opportunities to earn bonus points.
5. Your final percentage grade will be calculated as $(\text{points earned}/1000)$. Letter grades will be assigned as follows:

920+ (92%): A	730+ (73%): C
880+ (88%): A-	700+ (70%): C-
850+ (85%): B+	670+ (67%): D+
820+ (82%): B	640+ (64%): D
790+ (79%): B-	600+ (60%): D-
760+ (76%): C+	599- (<60%): F

Exams

We will have two in-class exams and a final. The first is scheduled for **Friday, October 5**. The second is scheduled for **Friday, November 2**.

The comprehensive final exam will take place during regularly scheduled exam periods (Monday, December 10 at 1:00 PM for the 11:00 class, Wednesday, December 12 at 1:00 PM for the 1:00 class).

Mark this on your calendar. You may take the exam at either time with permission. If you wish to take the exam with the other class, let me know before the end of the day on Friday, December 7.

Homework and Quizzes

The homework and quiz grade will consist of short in-class or out-of-class assignments worth five to ten points each. These may take the form of problem sets, multiple choice quizzes, or short essays. They may or may not be announced in advance. You may work together on out-of-class assignments—indeed, I encourage you to do so—but I expect the work you turn in to be your own.

Writing Assignments

You will write three long papers for this class. The first will be a paper about the role of economics as an analytical tool. The second will analyze government intervention into the labor market. The third will analyze the concepts of market failure, government failure, and institutions. More information will be handed out in class at the appropriate times. Papers may be submitted by hard copy.

The Writing Center. The Writing Center is located in 212 Barret Library, and you will use it early and often: <http://www.rhodes.edu/writingcenter>, writingcenter@rhodes.edu, x3393.

Referee Reports and Letters to the Editor. You will write a one-page “referee report” on another student’s first paper. You will also revise your first paper in light of another student’s “referee report” on your paper and submit it along with a one-page letter to the editor detailing how you have addressed the issues raised by the referee. Both are worth 25 points. More details will be given at the appropriate time.

Submitting the Papers. Each of the three papers will be six pages long, not including the cover sheet, the bibliography, or any graphs you may use. Your papers are due in class on the assigned due date. You may turn in the paper by noon on the following day for no more than $\frac{3}{4}$ credit. You may turn in the paper by the beginning of the next class meeting for no more than half credit. Papers submitted more than 48 hours late will earn a grade of zero. Papers will be typed and double-spaced in 12 point Times New Roman font with MS Word default margins. Download “CoverSheet.doc” from the public folder and type the honor code pledge in the box labeled “pledge.” **Unsigned, unpledged work will not be accepted.** For purposes of the Honor Code, “unauthorized aid” is defined as sharing your written work with anyone other than me or the staff at the Writing Center.

Missing Assignments and Exams

You are expected to complete all assignments as directed, and the going assumption will be that you are following directions and recommendations. For all intents and purposes, due dates and exam times are to be considered written in stone. If, for any reason, you feel that you cannot complete an assignment when it is due or take an exam on the assigned date, you may submit a signed, pledged, explanation of the circumstances preventing you from completing the assignment as directed (not to exceed one double-spaced, typed page). I may require supporting documentation, and I reserve the right to refer any petition to one or more colleagues for anonymous review. I will make sure that confidentiality is maintained.

Questions about Grading?

If you have any questions about the way the assignment was graded, I will be happy to answer them during office hours. You will be best served by preparing an explanation for why you believe your answer deserved more points. No additional points will be awarded during office hours. You may submit your assignment for re-evaluation with the understanding that I will re-grade it in its entirety. All such inquiries and submissions must be made before the next class meeting.

Course Outline

This outline is ambitious, preliminary, and subject to change. If we deviate from the outline, fear not. If we fall behind the outline, fear not. The assignments are to be read before the date for which they are listed. The syllabus will likely change as the semester progresses; watch your email for updates.

Additional readings will be assigned in class or via email to supplement the readings in the textbooks.

Write all due dates and exam dates on your calendar as soon as possible.

Week 1: Human Interaction and Contemporary Institutions: A Pre-Analytic Vision

Wednesday, 8/22: Familiarize yourself with the syllabus and mark down important dates. Begin reading Thomas Sowell's *A Conflict of Visions* because we will discuss it in class on Monday, August 27. You will receive several discussion questions via email.

Friday, 8/24: Be prepared to discuss "Ten Key Elements of Economics." Skim Landsburg, chapter 19. Don't worry about terms you find unfamiliar.

Week 2: A Pre-Analytic Vision and Principles of Economic Analysis: Supply and Demand, Part I

Monday, 8/27: Visions and their Applications. Be prepared to discuss Sowell, chapters 1-9 and "Ten Key Elements of Economics." Consider the following quotes from Henry Hazlitt: "*The art of economics consists in looking not merely at the immediate but at the longer effects of any act or policy; it consists in tracing the consequences of that policy not merely for one group but for all groups.*" "To see the problem as a whole, and not in fragments: that is the goal of economic science."³

Wednesday, 8/29: Finish discussion of Sowell and "Ten Key Elements" as necessary. Begin the Theory of Demand. Landsburg, pp. 1-10.

Friday, 8/31: Finish Theory of Demand and begin Theory of Supply. Landsburg, pp. 10-22.

Week 3: Principles of Economic Analysis: Supply and Demand, Part I

9/3: LABOR DAY, NO CLASS

9/5: Equilibrium and Applications. Landsburg, pp. 1-22.

9/7: Elasticity and Its Applications. Landsburg, pp. 98-102.

Week 4: Trade and Wealth in a Market Economy

We will have our first round of one-on-one meetings this week.

9/10: Applications of Supply and Demand. Read Landsburg, section 2.1 and review all assignments up to this point.

Supplemental "Econtalk" podcasts for this week: Ed Leamer on outsourcing and globalization, Donald Boudreaux on the economics of "buying local." Online:

www.econtalk.org/archives/trade_and_exchange/index.html.

First Draft of Paper #1 (Economics in Social Analysis) due.

9/12: Prices, information, and comparative advantage. Landsburg, section 2.1. Also be prepared to discuss Harford, chapter 9.

9/14: Specialization and gains from trade. Landsburg, section 2.2. **Referee Report on Paper #1 Due.**

³ Hazlitt, Henry. 1996 [1946]. *Economics in One Lesson*. San Francisco: Laissez-Faire Books, pp. 5, 184. Emphasis in original. For context, *Economics in One Lesson* is available online at <http://jim.com/econ/contents.html>. Read chapters 1-2.

Week 5: The Theory of the Consumer: Unlimited Wants, Limited Means

9/17: Unlimited Wants: Individual Tastes. Landsburg, section 3.1.

9/19: Limited Means: Budget Constraints. Landsburg, section 3.2.

9/21: Applications. Landsburg, section 3.3.

Week 6: Consumer Behavior and Market Demand

9/24: Analysis of changes in prices and incomes. Landsburg, chapter 4.

Final Version of Paper #1 with Letter-to-the-Editor Due.

9/26: Income and substitution effects. Landsburg, pp. 87-95.

9/28: Elasticity revisited. Landsburg, pp. 96-102.

Week 7: Midterm Exam

10/1: Buffer, Applications.

10/3: Buffer, Review and Recap. Skim Landsburg, chapter 19.

10/5: Exam #1.

Week 8: The Theory of the Firm, Part I

10/8: Weighing costs and benefits. Landsburg, section 5.1.

10/10: The Firm's decisions in the market. Landsburg, section 5.2.

10/12: Fall Recess. No Class.

Week 9: The Theory of the Firm, Part II

10/15: Production and costs in the short run. Landsburg, section 6.1.

10/17: Production and costs in the long run. Landsburg, section 6.2.

10/19: Firm decision-making in the short run and in the long run. Landsburg, section 6.3.

Week 10: Competitive Markets: Price-Taking

10/22: The Competitive Firm and Industry in the Short Run. Landsburg, sections 7.1 and 7.2.

10/24: The Competitive Firm and Industry in the Long Run. Landsburg, sections 7.3 and 7.4.

10/26: Increasing, constant, and decreasing cost industries. Landsburg, sections 7.5 and 7.6.

Week 11: Competitive Markets: Price-Taking

10/29: Using the competitive model. Landsburg, section 7.7.

10/31: Buffer and review. Skim Landsburg, chapter 19.

11/2: Exam #2.

Week 12: Supply and Demand II: The Analysis of Competitive Markets

We will have our second round of one-on-one meetings this week.

11/5: Efficient Markets (Consumer and Producer Surplus). Landsburg, sections 8.1-8.3.
Be prepared to discuss Harford, chapters 4-7.

11/7: Intervention in competitive markets: taxes, subsidies, and price controls.
Supplementary Econtalk Podcast: Michael Munger on Price Gouging
(http://www.econtalk.org/archives/2007/01/munger_on_price_1.html).

11/9: Knowledge, Information, and the Market Process. Landsburg, section 9.1.

Week 13: Competitive and Non-Competitive Markets: Price-Taking and Price-Searching

11/12: Price and Output under Monopoly. Landsburg, sections 10.1-10.2.

11/14: Price Discrimination by a Monopolist. Landsburg, section 10.3.

11/16: Oligopoly and Monopolistic Competition. Landsburg, sections 11.4 and 11.5.
Paper #2 (analysis of labor market intervention) due.

Week 14: Thanksgiving Week

11/19: Class Cancelled. I will be traveling for a conference this week.

Week 15: Markets and Government

11/26: Externalities and the Coase Theorem. Landsburg, sections 13.1 and 13.2. For two different takes on global warming, go to www.TED.com and watch Al Gore, “15 Ways to Avert a Climate Crisis” (<http://www.ted.com/index.php/talks/view/id/1>) and Bjorn Lomborg, “Our Priorities for Saving the World” (<http://www.ted.com/index.php/talks/view/id/62>).

11/28: Transaction Costs and Public Goods. Landsburg, sections 13.3, 14.1, 14.2.

11/30: The Economic Analysis of Law. Landsburg, section 13.4.

Week 16: Markets and Government

Monday, 12/3: Selected Topics. Be prepared to discuss Harford, chapters 8-10.

Wednesday, 12/5: Buffer, review and recap.

Thursday, 12/6: Review session.

Friday, 12/7: Paper #3 (Analysis of Imperfect Markets) Due.

Week 17: Final Exams

Monday, 12/10, 1:00 PM: Final Exam for Section 3 (11:00 Class)

Wednesday, 12/12, 1:00 PM: Final Exam for Section 4 (1:00 Class)

1. You may take the exam with the other section. If you wish to do so, you must notify me before 5:00 PM on Friday, December 7.
2. If you have earned enough points to receive a passing grade (more than 600) and wish to be excused from the exam, you may do so if you notify me before final examinations begin. Following College policy, unexcused absence from the final will result in automatic failure.⁴
3. If you are traveling as part of an official College function and if you have a required exam for another class during the alternate time, arrangements will be made with the athletic department staff and you will take it while you are away.

Exam Schedule from www.rhodes.edu			
	8:30 am	1:00 pm	5:30 pm
Friday, 12/7	3:00 pm MWF	9:00 am MWF	12:30 pm TTh
Saturday, 12/8	10:00 am MWF	2:00 pm TTh	8:00 am MWF
Monday, 12/10	3:30 pm TTh	11:00 am MWF (Econ 101, section 3)	4:00 pm MWF
Tuesday, 12/11	2:00 pm MWF	8:00 am TTh	9:30 am TTh
Wednesday, 12/12	11:00 am TTh	1:00 pm MWF (Econ 101, section 4)	12:00 noon MWF

⁴ See the College Catalogue, p. 73.