

**Economics 100: Introduction to Economics
Fall 2010**

Art Carden

100.04: Tuesday & Thursday, 11:00-12:15, Buckman 110

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Peer Tutoring: Brent Butgereit, Monday & Wednesday, 8:00-9:30 PM, Buckman 216

“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.”¹

What are We Learning and Why is It Important?

Welcome to Economics 100. This syllabus provides a tentative guide to the course. The assignments and course outline are subject to change, but there won't be any huge surprises.

In this course, you will learn the fundamental principles of economics and how to apply them. We will consider several key topics: incentives, trade, profits and losses, the workings of supply and demand, the causes and consequences of government intervention, and the aggregate performance of economic systems. The course fulfills the F8 Foundation Requirement; this means that we will “explore and understand the systematic analysis of human interaction and contemporary institutions” through lectures, hands-on homework assignments, exams, and extensive in-class discussion.

According to the Rhodes Vision, “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 set of tools that will help you separate truth from error. Economic analysis *as such* does not produce value judgments, but careful economic reasoning can inform “effective leadership and action” in the boardroom and at the ballot box.

How are We Learning It?

With proper effort, Economics 100 will be a rich and rewarding experience. You are expected to attend all class meetings, and 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 ten hours per week outside the classroom on work for this course.**

Econ 100 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 are responsible for all course material, announcements, and assignments given in class or via email to your @rhodes.edu account. I strongly encourage you to make regular use of tutoring sessions and office hours.

¹ Hazlitt, Henry. 1996 [1946]. *Economics in One Lesson*. San Francisco: Laissez-Faire Books, pp. 5, 184. Emphasis in original.

I expect you to abide by the honor code in all you do for this class. 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.

Learning is a cooperative endeavor. Multitasking during class is unwise, distracting, and disrespectful: it imposes what economists call a *negative externality* on everyone else. If I have reason to believe that anyone in the room is working on material for another class, surfing the web, texting, sleeping, etc., everyone in the class will get a quiz. The quiz will be un-droppable. The same will happen if a phone rings, chimes, vibrates, or starts playing the Steve Miller Band’s “The Joker” in class.

Readings and Resources

Paul Heyne, Peter Boettke, and David Prychitko. *The Economic Way of Thinking* (12th Edition). This will be our core text. Supplementary readings and materials will be made available in class and online. A textbook cannot be read like a novel. 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 the textbook, you should skim it, read the “Once Over Lightly” section at the end, and then study the chapter carefully.

The questions at the ends of the chapters will help you master the material, and they’re among the reasons why I chose this book. You should make a good-faith effort to attempt most (if not all) of the problems as they will closely resemble the problems you will need to master in the homework and on the exams.

Thomas Sowell, *The Housing Boom and Bust* (2010 Revised Edition). Sowell explains recent trends in the housing market, financial markets, and the macroeconomy using the ideas we will explore this semester. The Department of Economics and Business will provide you with a copy of the book.

David Allen, *Getting Things Done* (recommended). I encourage you to invest in an effective time- and information-management system. I also asked the bookstore to pick up a couple of copies of Laura Vanderkam’s *168 Hours* and Jason and Craig Womack’s *The Promise Doctrine*.

Academic Support

Disability Services: If you require accommodation, please contact Melissa Butler McCowen at the Office of Student Disability Services immediately (x3994, mccowenm@rhodes.edu). **Accommodations will not be granted without proper documentation from ODS. The deadline is September 21.**

The Writing Center: <http://www.rhodes.edu/writingcenter>, writingcenter@rhodes.edu, x3393.

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

Assignments and Grades

You will have the opportunity to earn 1010 points in this course, with your grade calculated as (points earned/1000), by doing the following:

Three Exams (750 points). You will take two exams and a final. The first exam is scheduled for Wednesday, **October 6** from 7:00-9:00 PM in Buckman 212, 214, and 216. The second exam is scheduled for **Wednesday, November 3** from 7:00-9:00 PM in Buckman 212, 214, and 216. The final exam for the 11:00 AM class will take place on Friday, December 10 at 1:00 AM. The final exam for the 2:00 PM class will take place on Monday, December 13 at 5:30 PM. The final exam for the 3:30 PM class will take place on Tuesday, December 14 at 1:00 PM.

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 150 points on the first exam, 200 points on the second exam, and 240 points on the final, your new grade for the lowest exam will be $(1/3)*(150) + (2/3)*(240) = 210$. The “exam” part of your grade will then be $210+200+240 = 650$ rather than $150+200+240 = 590$.

A Short Paper (150 points). You will write a 4-page review of *The Housing Boom and Bust* worth 150 points. The paper is due at the beginning of class on Tuesday, December 7.

Quizzes, Homework, and Bonus Points (110 points). You will get one five-point homework assignment for each class, and you will have other optional assignments that will give you the opportunity to earn points. We will grade most of these in class, and I will count your top twenty-two homework assignments. Late homework will not be accepted. There may be (limited) opportunities for bonus points.

Again, your final percentage grade will be calculated as (points earned/1000). Letter grades will be assigned as follows:

930+ (93%): A	730+ (73%): C
900+ (90%): A-	700+ (70%): C-
870+ (87%): B+	670+ (67%): D+
830+ (83%): B	630+ (63%): D
800+ (80%): B-	600+ (60%): D-
770+ (77%): C+	599- (<60%): F

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 maintain confidentiality.

Course Outline and Schedule for Econ 100

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: A Pre-Analytic Vision

Wednesday, August 25	No class or office hours. Convocation will take place at 3:30 at Evergreen Presbyterian Church. The Department of Economics and Business will host a reception at 4:45 in Buckman 309.
Thursday, August 26	Read the syllabus carefully, and put important dates on your calendar. Be prepared to discuss Leonard E. Read's "I, Pencil" and the assignment I sent via email. Objectives: 1. Explain how to make a pencil. 2. Define "wealth." 3. Explain the differences between information, knowledge, and wisdom.

Week 2: Comparative Advantage

Tuesday, August 31 Drop/Add ends.	HBP Chapters 1 and 2. Objectives: 1. State and explain the Principles of Economics. 2. Define "opportunity cost." 3. State and explain the law of comparative advantage.
Thursday, Sept 2	HBP Chapter 2. Objectives: 1. Apply the concept of comparative advantage to domestic and international trade policy. 2. Explain the relationship between comparative advantage and the other Principles of Economics.

Week 3: Demand

9/7	HBP Chapter 3: The Law of Demand Objectives: 1. State and explain the law of demand. 2. Draw and explain the demand curve.
9/9	HBP Chapter 3: The Law of Demand Objectives: 1. Draw and explain the demand curve. 2. Define <i>elasticity</i> . 3. Define <i>normal</i> and <i>inferior</i> goods.

Week 4: Supply and Demand

9/14	Elasticity and Its Applications (Handout), HBP Chapter 4. Objectives: 1. Calculate own-price, cross-price, and income elasticities of demand. 2. Explain what we mean by "cost." 3. State and explain the law of supply.
9/16	HBP chapter 4: Supply. Objectives: 1. Derive the supply curve and explain why supply curves are upward-sloping. 2. Discuss Thomas Sowell's chapter "Economic Trade-offs."

Week 5: Supply and Demand	
9/21	HBP chapter 5 and handouts. Objectives: <ol style="list-style-type: none"> 1. Identify equilibrium graphically. 2. Derive equilibrium mathematically. 3. Explain equilibrium verbally. 4. Explain how changing market conditions change equilibrium prices and quantities.
9/22	Virgil Henry Storr will speak on “Five Years After Katrina: Community Redevelopment and Recovery in New Orleans” at 7:00 PM in Blount Auditorium.
9/23	HBP chapters 5-6. You should be through chapter 1 of Sowell by now. Objectives: <ol style="list-style-type: none"> 1. Define “consumer’s surplus.” 2. Define “producer’s surplus.” 3. Use supply and demand analysis to explain the effects of price floors. 4. Use supply and demand analysis to explain the effects of price ceilings.
Week 6: Applications of Supply and Demand	
9/28	HBP chapter 6 Objectives: <ol style="list-style-type: none"> 1. Use appropriate diagrams to show how markets eliminate opportunities for arbitrage. 2. Use the ideas developed to predict when we will run out of oil.
9/30	HBP chapter 6 Objectives: <ol style="list-style-type: none"> 1. Use supply and demand to explain how taxes affect buyers and sellers. 2. Use supply and demand analysis to explain how subsidies affect buyers and sellers. 3. Explain what <i>elasticity</i> has to do with 1 and 2.
Week 7: Midterm Exam #1	
10/5	Buffer and Review.
10/6	Midterm Exam #1 in Buckman 214, 215, and 216, 7:00-9:00 PM.
10/7	I’ll be traveling, so we won’t have class . Take a few deep breaths and review everything we have done so far. You’ll be able to reach me via email. You should be through chapter 2 of Sowell by now.
Week 8: Profits, Losses, and Firms	
10/12	HBP Chapter 7 Objectives: <ol style="list-style-type: none"> 1. Define the following terms: wage, rent, interest, profit, loss. 2. Explain the difference (and the importance of the difference) between economic profit and accounting profit.
10/14	HBP Chapter 7 Objectives: <ol style="list-style-type: none"> 1. Explain the differences between marginal costs, average costs, and fixed costs. 2. Explain why <i>sunk costs</i> are irrelevant. 3. Explain the conditions under which firms are maximizing profits. 4. Determine when a firm should shut down and when a firm should exit.

Week 9: Price Searching and Government Policy	
10/19	Fall Break. No class meeting.
10/21	HBP Chapters 8-9 Objectives: <ol style="list-style-type: none"> 1. Define and discuss <i>market failure</i>. 2. Explain why monopolies are inefficient. 3. Explain how government policies can increase efficiency. 4. Explain how markets can increase efficiency.
Week 10: Markets and Government	
10/26	HBP Chapters 9-10 Objectives: <ol style="list-style-type: none"> 1. Define and discuss different kinds of price discrimination. 2. Explain why externalities create inefficiency. 3. Explain how government policy can mitigate these externalities.
10/28	HBP Chapter 11 Objectives: <ol style="list-style-type: none"> 1. Explain the free-rider problem. 2. Explain the differences between market failure and government failure.
Week 11: Midterm Exam #2	
11/2	Buffer and Review. You should be through chapter 3 of Sowell by now.
11/3	Midterm Exam #2 in Buckman 214, 215, and 216, 7:00-9:00 PM.
11/4	Work through and expand on Midterm Exam #2.
Week 12: Measuring and Explaining Economic Performance	
11/9	HBP Chapter 12 Objectives: <ol style="list-style-type: none"> 1. Define and explain GDP, unemployment, inflation, and recession. 2. Identify the limitations of these measures. 3. Identify different theories that explain fluctuations in GDP, unemployment, and inflation.
11/11	HBP Chapters 12-13 Objective: <ol style="list-style-type: none"> 1. Summarize and explain theories of macroeconomic fluctuations.
Week 13: Measuring Economic Performance and the Global Marketplace	
11/16	HBP, Chapters 12-13 Objectives: <ol style="list-style-type: none"> 1. Explain some of the causes of cross-country differences in income and wealth. 2. Explain how exchange rates between currencies are determined, and explain how these are connected to interest rates.
11/17	I will give a lecture entitled "The Importance of Sound Money" in the Orgill Room at 7:00 PM.
11/18	HBP Chapter 14 Objectives: <ol style="list-style-type: none"> 1. Explain the differences between fiat money and commodity money. 2. Explain different measures of the money supply.

Week 14: Money and Banking	
11/23	HBP Chapter 14. You should be through chapter 4 of Sowell by now. Objectives: 1. Explain how commercial banks can create money. 2. Explain the tools the Fed uses to conduct monetary policy.
11/25	Thanksgiving. No class meeting.
Week 15: Economic Policy	
11/30	HBP Chapter 15 Objectives: 1. Explain how interest rates are determined. 2. Explain how policies that change interest rates might cause business cycles.
12/2	HBP Chapter 15 (continued) Objectives: 1. Explain how interest rates are determined. 2. Explain how policies that change interest rates might cause business cycles.
Week 16: The Nature and Causes of the Wealth of Nations	
12/7	HBP Chapter 16 Review of Sowell due at the beginning of class or in my office by 6:00 PM. Objectives: 1. Explain why some people are very rich while other people are very poor. 2. Explain why some countries are very rich and other countries are very poor. 3. Explain how these problems can be solved.
12/8	Regular office hours.
12/9	Reading Day
12/10	1:00 PM: Exam for 11:00 AM Class
12/12	5:30 PM: Exam for 2:00 PM Class
12/14	1:00 PM: Exam for 3:30 PM Class
Exams	
<ol style="list-style-type: none"> 1. You may take the exam with one of the other sections. If you wish to do so, you must notify me before 6:00 PM on Tuesday, December 7. You may not change your exam date after Tuesday, December 7 at 6:00 PM. 2. Following College policy, unexcused absence from the final exam for which you are registered will result in automatic failure for the course.² 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 your exam while you are away. To be excused from your exam, must notify me before 6:00 PM on December 7. <p>If you decide to switch exam times and later decide you want to switch back, you can do so until Tuesday, December 7 at 6:00 PM. After this time you must take the exam at the time for which you are registered.</p>	

² See the College Catalogue, p. 73.