

**Economics 100: Introduction to Economics
Spring 2011**

Art Carden

Tuesday & Thursday, 2:00-3:15, Buckman 216

Classroom: Buckman 216

Office: Buckman 321

Email: cardena@rhodes.edu or art.carden@gmail.com

Office Phone: 901-843-3829

Office Fax: 901-843-3736

Office Hours: Weds 2:00-4:00 and 12:30ish-1:30ish, Tues/Weds/Thurs (at the Rat or in my office)\

Peer Tutoring: Brent Butgereit, MW 6:30-8, 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.

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 February 8.**

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, **February 16 at 7:00 PM** in Buckman 216. The second exam is scheduled for **Wednesday, March 9** at 7:00 PM in Buckman 216. The final exam will take place on **Friday, May 6 at 8:30 AM** in Buckman 216.

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 in my office by 8:00 PM on Tuesday, May 3. Papers turned in late will be penalized 15 points per 24 hours. Papers will not be accepted more than 48 hours late.

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 and materials will be assigned in class or via email to supplement the readings in the textbook. **Write important dates on your calendar.**

Week 1: A Pre-Analytic Vision

Thursday, Jan 13	<p>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.</p> <p>Objectives:</p> <ol style="list-style-type: none"> 1. Explain how to make a pencil. 2. Define "wealth." 3. Explain the differences between knowledge and wisdom.
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Week 2: Comparative Advantage

Tuesday, Jan 18	<p>HBP Chapters 1 and 2.</p> <p>Objectives:</p> <ol style="list-style-type: none"> 1. State and explain the Principles of Economics. 2. Define "opportunity cost." 3. State and explain the law of comparative advantage.
Thursday, Jan 20	<p>HBP Chapter 2.</p> <p>Objectives:</p> <ol style="list-style-type: none"> 1. Apply the concept of comparative advantage to domestic and international trade policy.

Week 3: Demand

1/25	<p>HBP Chapter 3</p> <p>Objectives:</p> <ol style="list-style-type: none"> 1. State and explain the law of demand. 2. State and explain the law of supply. 3. Draw and explain a supply and demand diagram.
1/27	<p>HBP Chapter 3</p> <p>Objectives:</p> <ol style="list-style-type: none"> 1. Explain what shifts a demand curve. 2. Calculate and explain the price elasticity of demand.

Week 4: Supply and Demand

2/1	<p>HBP Chapter 4</p> <p>Objectives:</p> <ol style="list-style-type: none"> 1. Explain what shifts a supply curve. 2. Calculate and explain the price elasticity of supply.
2/3	<p>I will be traveling. No class meeting. Review your notes up to this point.</p>

Week 5: Supply and Demand	
2/8	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.
2/10	HBP chapters 5-6. 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. <p>Amity Shlaes will visit campus on February 10-11 to discuss her book on the Great Depression.</p>
Week 6: Midterm Exam #1	
2/15	Buffer and Review.
2/16	Midterm Exam #1 in Buckman 216, 7:00 PM.
2/17	Review Midterm #1, Further applications of supply and demand.
Week 7: Taxes, Subsidies, and Firms	
2/22	HBP Chapters 7-8 and Handouts. Objective: Use supply and demand to explain how taxes and subsidies affect buyers and sellers.
2/24	HBP Chapters 7-8 Objective: Explain the difference (and the importance of the difference) between economic profit and accounting profit.
Week 8: Market Failure and Government Policy	
3/1	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.
3/3	HBP Chapters 8-9 Objectives: <ol style="list-style-type: none"> 1. Explain how government policies can increase efficiency. 2. Explain how price discrimination can increase efficiency.
Week 9: Midterm Exam #2	
3/8	Buffer and Review.
3/9	Midterm Exam #2 in Buckman 216, 7:00 PM
3/10	Review Midterm Exam #2.

Week 10: Spring Break	
Week 11: Externalities, Conflict, and the Environment	
3/22	HBP Chapter 10 Objectives: <ol style="list-style-type: none"> 1. Explain why externalities create inefficiency. 2. Explain how government policy can mitigate these externalities.
3/24	HBP Chapter 11 Objective: <ol style="list-style-type: none"> 1. Explain the relevance of market failure. 2. Explain the relevance of government failure.
<p>The Institute for Humane Studies is hosting a weekend seminar on campus during which we will discuss a lot of the topics and issues we will address this semester. The seminar will begin on Friday evening, March 25 and end on Sunday, March 27. You will have the opportunity to complete assignments that will count toward your homework grade if you decide to attend the seminar.</p>	
Week 12: Measuring Economic Performance	
3/29	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.
3/31	HBP Chapter 12 Objective: <ol style="list-style-type: none"> 1. Identify different theories that explain fluctuations in GDP, unemployment, and inflation.
Week 13: The Global Marketplace	
3/29	HBP Chapter 13 Objective: <ol style="list-style-type: none"> 1. Explain the sources of economic growth.
3/31	HBP Chapter 13 Objective: <ol style="list-style-type: none"> 1. Explain whether there are limits to economic growth.
Week 14: Money and Banking	
4/5	HBP Chapter 14 Objective: Define “money.”
4/7	HBP Chapter 14 Objectives: <ol style="list-style-type: none"> 1. Define and explain monetary policy. 2. Define and explain fiscal policy.

Week 15: Keynesian Macroeconomics	
4/12	I will be traveling, so there will be No Class Meeting .
4/14	Keynesian Economics. HBP Chapter 15. Read the following articles from the <i>Concise Encyclopedia of Economics</i> : Business Cycles, Keynesianism, Monetary Policy, Fiscal Policy. To supplement, you might want to listen to the EconTalk Podcast with Steven Fazzari on Keynesian economics and watch Lord Robert Skidelsky's discussion of Keynesianism at EconStories.tv. Objective: Explain the Keynesian theory of the business cycle.
Week 16: Monetarism	
4/19	Monetarism. HBP Chapter 15 (continued), HBP chapter 16. Read the following articles in the <i>Concise Encyclopedia of Economics</i> : Monetarism, New Classical Macroeconomics, New Keynesian Macroeconomics. Objective: Explain the Monetarist theory of the business cycle.
4/21	Easter Recess. No Class Meeting.
Week 17: Austrian Macroeconomics and the Wealth of Nations	
4/26	Austrian Macroeconomics. Review chapters 15 and 16. Watch Roger Garrison's lecture "Austrian Theory of the Trade Cycle" (online at http://www.youtube.com/watch?v=zhoFOyy7rbo). You might want to supplement with Lawrence H. White's three-part discussion of the Austrian Theory of Boom and Bust at econstories.tv. Professor Garrison's slides that accompany this lecture will be available in the public folder. I encourage you to use these to study the points he makes in his lecture. You might also find Professor Garrison's essay "The Austrian School: Capital-Based Macroeconomics" (available here: http://www.auburn.edu/~garriro/cbm.htm) useful. Objective: explain the Austrian theory of the business cycle.
4/28	An Inquiry into the Nature and Causes of the Wealth of Nations
Week 18: Paper Due and Final Exams	
5/3	Papers on <i>The Housing Boom and Bust</i> due at 8:00 PM.
5/4	Office Hours from 2-4.
5/6	Final Exam at 8:30 AM
Exams	
<ol style="list-style-type: none"> Following College policy, unexcused absence from the final exam for which you are registered will result in automatic failure for the course.² 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 April 28. 	

² See the College Catalogue, p. 73.