

Economics 100: Introduction to Economics

Fall 2011

Art Carden

Section 6: Tuesday and Thursday, 9:30-10:45 AM

Section 7: Tuesday and Thursday, 11:00-12:15 AM

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Peer Tutoring: TBA

“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

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

encourage you to make regular use of tutoring sessions and office hours. I expect you to abide by the honor code in all you do for this class.

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

Tyler Cowen and Alex Tabarrok, *Modern Principles of Economics*.

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 first, read the "Takeaway" section at the end of the chapter, and then study the chapter carefully. I will discuss online resources that accompany the book as the semester progresses.

The questions at the ends of the chapters will help you master the material. 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, *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." This is one of my favorite books, and economics is largely an exercise in the "constrained vision."

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.

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 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 1000 points in this course, with your grade calculated as (points earned/1000), by doing the following:

Three Exams (900 points). You will take two exams and a final. The first exam is scheduled for **Thursday, September 29**. The second exam is scheduled for **Thursday, November 3**. The final exam for the 9:30 class will take place on **Saturday, December 10 at 5:30 PM**. The final exam for the 11:00 class will take place on **Monday, December 12 at 8:30 AM**. The two in-class exams will be worth 250 points each. The cumulative final exam will be worth 400 points.

Quizzes, Homework, and Bonus Points (100 points). You will get a 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 homework assignments. You will grade yourself homework on a scale of 1-5, where 1 is “I submitted something, but it was totally wrong” and 5 is “my homework was perfect.” The work you submit for a grade must be your own. You *may* discuss the homework with your classmates, but you *may not* share your written work with one another. 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, 8/25	<p>Read the syllabus carefully, and put important dates on your calendar. Read Chapter 1 of Cowen & Tabarrok and be prepared to discuss chapters 1-2 of Thomas Sowell's <i>A Conflict of Visions</i>.</p> <p>Objectives:</p> <ol style="list-style-type: none"> 1. State and Explain the Big Ideas. 2. Discuss the F8 Foundation Requirement in light of Sowell.
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Week 2: A Pre-Analytic Vision and the Concept of Demand

Tuesday, 8/30	<p>Demand. Textbook Chapter 2, pp. 13-20 and Chapter 14, pp. 289-306.</p> <p>Objectives:</p> <ol style="list-style-type: none"> 1. Explain the law of demand. 2. Draw and explain demand curves. 3. Define and explain consumer surplus.
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Thursday, 9/1	<p>Supply. Textbook Chapter 2, pp. 20-28 and Chapter 14, pp. 289-306 (again).</p> <p>Objectives:</p> <ol style="list-style-type: none"> 1. State and explain the law of supply. 2. Draw and explain a supply and demand diagram. 3.
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Week 3: Supply and Demand: Equilibrium and Elasticity

9/6	<p>Equilibrium. Textbook Chapter 3, pp. 33-47 and Chapter 18, pp. 365-376.</p> <p>Objectives:</p> <ol style="list-style-type: none"> 1. Identify equilibrium graphically and mathematically, and explain it verbally. 2. Explain how changing market conditions change equilibrium prices and quantities.
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9/8 Disability services deadline.	<p>Elasticity. Textbook Chapter 4, pp. 51-69.</p> <p>Objectives:</p> <ol style="list-style-type: none"> 1. Calculate and explain the price elasticity of demand and the price elasticity of supply.
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Week 4: Supply and Demand: The Market Process

9/13	<p>We will not meet because I will be traveling. Read <i>Conflict of Visions</i>, Chapters 3-5, the "Summary and Implications" sections of chapters 6-8, and chapter 9.</p>
9/15	<p>The Market Process. Textbook Chapter 5, pp. 79-91.</p> <p>Objectives:</p> <ol style="list-style-type: none"> 1. Explain how "markets link the world." 2. Explain how "a price is a signal wrapped up in an incentive." 3. Apply what we have learned to Sowell's discussion of visions.

Week 5: Price Floors, Price Ceilings, Taxes, and Subsidies	
9/20	Price Ceilings and Price Floors. Textbook Chapter 6, pp. 97-112, and Chapter 7, pp. 119-125. Objectives: <ol style="list-style-type: none"> 1. Explain how price ceilings affect the consumer and producer welfare. 2. Explain how price floors affect consumer and producer welfare.
9/22	Taxes and Subsidies. Textbook Chapter 7, pp. 125-137. Objectives: <ol style="list-style-type: none"> 1. Explain how taxes and subsidies affect consumer and producer welfare. 2. Explain how elasticity affects the distribution of the tax burden.
Week 6: Midterm Exam #1	
9/27	Buffer and Review.
9/29	Midterm Exam #1 in class.
Week 7: International Trade	
10/4	Comparative Advantage and Trade. Textbook Chapter 8, pp. 143-149. Objective: <ol style="list-style-type: none"> 1. Define the law of comparative advantage. 2. Explain how trade creates wealth. 3. Explain how trade conserves wealth.
10/6	Comparative Advantage and Trade. Textbook Chapter 8, pp. 143-160. Objective: <ol style="list-style-type: none"> 1. Explain how specialization and trade create wealth and conserve resources. 2. Identify prices at which people will agree to trade. 3. Explain why they will agree to trade at these prices. 4. Explain how tariffs affect markets for goods traded internationally.
Week 8: Externalities and Market Failure	
10/11	Externalities. Textbook Chapter 9, pp. 169-182. Objectives: <ol style="list-style-type: none"> 1. Explain why marginal social costs and benefits are not equal to marginal private costs and benefits when there are externalities. 2. Explain why it will be difficult for the unregulated market to provide public goods. 3. Explain how government intervention can improve welfare when there are externalities.
10/13	Public Goods and the Tragedy of the Commons. Textbook Chapter 17, pp. 347-356. Objectives: <ol style="list-style-type: none"> 1. Explain why poorly-defined private property rights lead to over-exploitation of common property resources.
Week 9: Competition and Monopoly	
10/18	Fall Recess. No Class.
10/20	Perfectly Competitive Markets. Textbook Chapter 10, pp. 187-202. Objectives: <ol style="list-style-type: none"> 1. Identify the “Invisible Hand” properties of competitive markets. 2. Explain why competitive markets are efficient.

Week 10: Competition and Monopoly	
10/25	Monopolistic Markets. Textbook Chapter 11, pp. 219-235. Objectives: 1. Explain why monopolies are inefficient. 2. Explain how this inefficiency can be reduced.
10/27	Price Discrimination. Textbook Chapter 12, pp. 243-256. Objectives: 1. Explain different kinds of price discrimination. 2. Evaluate the desirability of price discrimination. 3. Explain the relationship between price discrimination and competition.
Week 11: Midterm Exam #2	
11/1	Buffer and Review.
11/3	Midterm Exam #2 in class.
Week 12: Macroeconomics: Measuring Progress	
11/8	Gross Domestic Product. Textbook Chapter 20, pp. 405-421. Objectives: 1. Define Gross Domestic Product. 2. Evaluate Gross Domestic Product as a measure of progress.
11/10	Economic Growth. Textbook Chapter 21, pp. 427-442. Objectives: 1. Explain the causes and consequences of economic growth.
Week 13: The Financial System, Unemployment, and Inflation	
11/15	Saving and Investment. Textbook Chapter 22, pp. 483-503. Objectives: 1. Explain the Supply of and Demand for Investable Resources. 2. Explain the role of financial intermediation.
11/17	Unemployment and Inflation. Textbook Chapters 24-25, pp. 513-553. 1. Define and explain unemployment. 2. Define and explain inflation.
Week 14: Business Cycles, Monetary Policy, and Fiscal Policy	
11/22	Monetary and Fiscal Policy. Reading Assignments TBA.
11/24	Thanksgiving. No Class.
Week 15: Keynesian and Austrian Macroeconomics	
11/29	Keynesian Economics. Reading Assignments TBA. Objective: Explain the Keynesian Theory of the Business Cycle.
12/1	Austrian Economics. Reading Assignments TBA. Objective: Explain the Austrian Theory of the Business Cycle.
Week 16: The End	
12/6	What Have We Learned This Semester?
12/7	Office Hours from 2-4.
12/8	Reading Day.
12/10	Final Exam for 9:30 Class, 5:30 PM
12/12	Final Exam for 11:00 Class, 8:30 AM

Exams

1. 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 December 1.