

Econ 111.01: INTRODUCTION TO ECONOMICS

Fall 2008

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Office Hours: M 1:30-3:30; W: 10-12:00; F: 2-3

other times can be arranged by email

This course offers an introductory treatment of economic theory with some discussion of policy applications and economic institutions. Most of the course can be divided into two broad segments: microeconomics and macroeconomics. Microeconomics analyzes the interactions of individual consumers (households) and producers (firms) in specific markets (e.g., the market for shoes or automobiles). A major theme of this section will concern the strengths and weaknesses of markets as a mechanism for coordinating the production and distribution of goods and services. Macroeconomics, on the other hand, focuses at the national level, examining the determination of important national variables, such as the level and rate of growth of output (gross domestic product, GDP), the rate of inflation, the level of unemployment, as well as flows of imports and exports and the balance of trade. A major theme of the course will concern the potential for government policy to improve or hinder economic performance at either the microeconomic or macroeconomic level. A few key questions: should the government try to reduce pollution or income inequality; should the government try to control inflation or restrict international trade; should the government try to reduce unemployment?

READINGS

At Book Store:

Robert E. Hall and Marc Lieberman, *Economics: Principles and Applications*, **4th Edition**, Thomson Southwestern, **2007**. (be sure to get 4th edition; another instructor has the 3rd edition in the bookstore). Referred to as H&L below.

On e-Reserve:

Robert Heilbroner, *The Worldly Philosophers* (WP), Chapters 2, 3 and 9.

Articles by Marc Breslow, Jim Campen in *Current Economic Issues*

Several additional readings may be placed on reserve in the library.

Class Meetings:

Class meets Monday, Wednesday, Friday from 8:00 to 8:50 in ARH 102. Please turn off electrical devices before class and plan to stay in the room during class.

GRADING

There will be three one-hour exams and a final exam along with nine problem sets, which must be turned in on time by the dates specified. There also will be several group presentations. Problem sets and class participation, including attendance, and presentations count for 25% of the semester grade, and exams count for the remaining 75%, with the final counting as two midterms (30%). I reserve the right to assign additional short (one page) papers or possibly a few quizzes.

COURSE OUTLINE

I. INTRODUCTION: Week 1, Week 2 part.

1. What is economics? Basic economic principles; How economists approach problems and economic models; scarcity, choice, and the production possibilities frontier.

H&L, Chapters 1 and 2

2. The development of market economies

WP Chapter 2 (on e-reserve)

Group Presentation Wednesday, Sept. 3

II. MICROECONOMICS

A. Theory of Supply and Demand: Weeks 2-3

1. Demand, supply, and market equilibrium.

H&L, Chapter 3; WP Chapter 3(on e-reserve)

Problem Set One Due Monday, Sept. 8

Group Presentation Friday, Sept. 12

2. Applications: price floors, elasticity, and excise taxes

H&L, Chapter 4

Problem Set Two Wed. Sept. 17

B. Costs of Production

H&L Chapter 6

Problem Set Three Due Wed. Sept. 24

*****FIRST HOUR EXAM Friday, Sept. 26*****

C. Market Structure and its Relation to Market Outcomes: Weeks 5 - 7.

1. Profits and Perfect Competition.

H&L, CH 7-8

2. Imperfect competition and market power: monopoly, oligopoly, and monopolistic competition;

H&L, Chapters 9-10

Problem Set Four

Group Presentation

D. Labor Markets, Income Distribution, Market Failure, Government Policy: Weeks 7-8.

1. Wages, poverty and inequality

H&L, Chapters 11 (part), 12

On e-reserve: "The Community Reinvestment Act: A Law that Works"

"The Racial Divide Widens"

Problem Set Five

Group Presentation

2. Government policy, market failure: externalities, public goods and common pool resources
H&L Ch 15

***** SECOND HOUR EXAM Friday, Oct. 17 *****
Set your break plans accordingly!!

III. MACROECONOMICS: Weeks 9 - 13

1. Macroeconomic variables, goals and measurement.
H&L: Chapters 17-19
2. Long-run Growth
H&L: Chapters 20 (part), 21
3. Short-run Fluctuations and the Short-Run Model
H&L, Chapters 22-23; WP, Chapter 9 (e-reserve)
Problem Set Six
4. Money, banks, the Federal Reserve and monetary policy.
H&L Chapters 24-25
Problem Set Seven
Group Presentation
5. Aggregate Demand and Supply
H&L, Chapter 26
6. Inflation, Budgets, Monetary and Fiscal Policy
H&L, Chapters 27-28

Problem Set Eight

*****THIRD HOUR EXAM Wed. Dec. 3 *****

IV. International Economics

1. International Trade, Comparative Advantage and Net Exports
H&L, Chapters 16, 29
PROBLEM SET NINE DUE.

****** FINAL EXAM: Tuesday, Dec. 16, 2:00 p.m. ******
Make your plans accordingly!