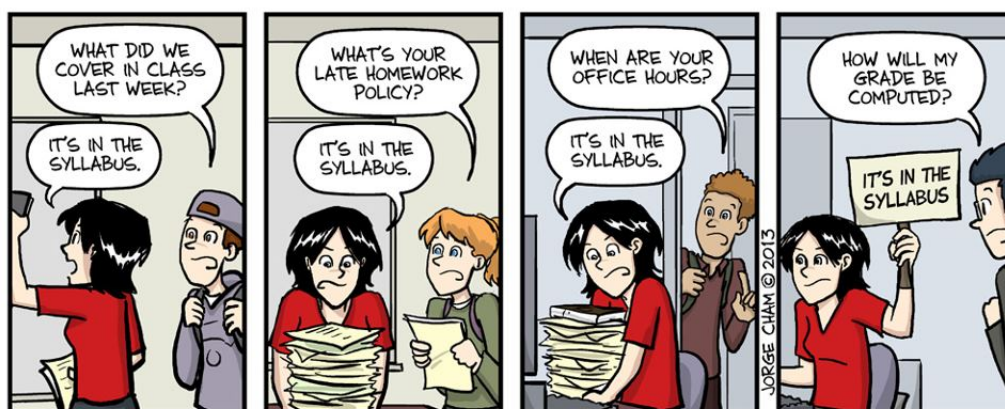


ECON 200 Basic Economic Issues
The University of Arizona, Summer 2013
Instructor: Ming-sen Wang

OFFICE HOURS: MoTuWeThFr 09:30AM - 10:30AM

E-MAIL ADDRESS: mswang@email.arizona.edu

CLASS HOURS: MoTuWeThFr 11:00AM -12:45PM



IT'S IN THE SYLLABUS

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A COURSE DESCRIPTION

ECON 200 is an introductory level class in both microeconomics and macroeconomics. The first two thirds of the course will cover the basic principles of microeconomics, such as supply-demand analysis of the markets. The last one third of the course will cover macroeconomics, including topics such as inflation, unemployment and the effectiveness of various economic policies.

There are no required textbooks. I will provide lecture notes that cover the definitions of concepts and basic analysis. However, many materials presented in the lecture will not be in the lecture notes. The lecture notes are a complement to the lectures rather than a substitute for the lecture. You are strongly encouraged to attend every class and to read the supplemental readings.

Class attendance is not mandatory except for the midterms and the final. However, a part of the course grades is based on class participation. Also, the materials covered in class will be based on all the reference books. Accordingly, it is highly recommended that you attend the class.

B GRADING PLAN Course grades will be determined as follows:

Midterm 1	20 %
Midterm 2	20 %
Final exam (The final exam will be cumulative)	30 %
Homework Assignments	20 %
Class Participation	10 %
Total	100 %

A grading scale will be provided for each exam and homework when it is graded and returned.

C EXAMS

All exams will last 1 hour and 45 minutes.

Cheating and any dishonest behavior during the exams will be handled according to the Code of Academic Integrity. The penalty for cheating is a failing grade for the class. For details, please see Section ACADEMIC DISHONESTY AND PLAGIARISM.

There will be NO make-up midterms. The first midterm will be on **July 17**. The second midterm will be on **July 30**. The final exam will take place on **August 7**. Failure to take any exam without an upfront excuse will result in a **grade of zero**. If you have an emergency reason, such as an illness, that leads to an unanticipated inability to take an exam on the assigned dates, notify me as soon as possible and provide official evidence **in written form** on the **first day** you return to class.

If you have an excused absence on one midterm, the weight of your missed midterm will be accumulated to the final exam, which makes your final exam weight 45%. If you miss both midterms, the weights of your midterms will be accumulated to the final exam, which makes your final exam weight 70%.

If any of you have a legitimate excuse for not being able to take the final exam on the assigned date, I will give a make-up exam for the final. The date of the make-up final exam will be set by me.

D COURSE OBJECTIVES

This course is designed to equip students with a basic understanding of economic principles and terminologies that are present in our everyday life. The course is intended to provide:

1 *Better understanding of society:*

The course will provide students with tools to understand society and how the market system functions. By the end of the session, a student will be able to understand, for instance, why her decision of how much frozen yogurt she buys should not depend on how much the empty cup weighs and why a Venti cup of coffee in Starbucks is almost twice as large as a Tall cup but just costs a little more.

2 *Ability to think independently and to provide logical arguments on economic issues:*

All the exam questions will be in the form of free response questions. Students are expected to understand class materials well enough to give rigorous definitions and

concrete examples of class materials. Furthermore, you should be able to evaluate economic statements and to criticize them logically.

3 *Ability to avoid being frustrated by half-truths and errors about the operation of a market system:*

Half-truths and errors are ubiquitous in society. Politicians use fallacious arguments to try to convince citizens that a bad policy is a good one. Journalists often make economic mistakes in newspaper and journals. Some examples are: Minimum wage laws help the unskilled and minorities; free-tuition education reduces costs to students; the military draft is cheaper than a voluntary Army. You should be able to detect fallacious arguments and to provide counter-arguments following this session.

4 *Better preparation for more advanced classes, such as intermediate microeconomics:*

This course will introduce students to ideas and concepts that will be investigated more deeply in future pursuits of knowledge.

5 *Higher future earnings:*

Although no one can promise that understanding how the economic system works will help you make more money, I hope it will. Based on personal experience, I find that a better understanding of the functioning of society allows me to occasionally take advantage of such.

E COURSE TOPICS

- 1 Introduction
- 2 Consumer Demand
- 3 Market Exchange
- 4 Production Cost
- 5 Perfect competition, monopoly, and price discrimination
- 6 Market Failures
- 7 Introduction to Macroeconomics

F TEXT BOOKS AND REFERENCES

There is no required textbook. However, the course materials will be primarily based on *Alchian & Allen* and *Mankiw*. The other books are supplemental readings that will help you understand the class materials better with interesting examples. I will also use a lot of examples from these books in the class.

- 1 Mankiw, N. G. (2012). *Essentials of economics, 6E.*. Mason, Ohio: Thomson/South-Western.
- 2 Alchian, A. A., & Allen, W. R. (1977). *Exchange and production: Competition, coordination, and control*. Belmont, Calif: Wadsworth Pub. Co.
- 3 Landsburg, S. E. (1993). *The armchair economist: Economics and everyday life*. New York: Free Press.

- 4 Frank, R. H. (2007). *The economic naturalist: In search of explanations for everyday enigmas*. New York: Basic Books.
- 5 Buchholz, T. G. (1990). *New ideas from dead economists: An introduction to modern economic thought*. New York: Plume.
- 6 Heilbroner, R. L. (1999). *The Worldly Philosophers: The Lives, Times And Ideas Of The Great Economic Thinkers* New York : Simon & Schuster.
- 7 McKenzie, R. B., & Tullock, G. (2012). *The New World of Economics*. Heidelberg: Springer-Verlag

I also provide a detailed list of references in the last section of the syllabus. I strongly encourage you to take a look at the articles or the book chapters on your own.

G HOMEWORK ASSIGNMENTS

The homework assignments are designed to give students an opportunity to practice economic thinking acquired in the course.

There will be two homework assignments for the whole session. The first homework consists of a news article and free response questions. Students are expected to read the article and answer the question using his/her economic reasoning. The first homework will be handed out on **July 15** and is due at the beginning of the class on **July 19**.

The second homework is a paper project. Students are expected to write a critical comment on a newspaper article, similar the first homework assignment with your own choice of article, or provide an economic explanation on an interesting everyday phenomenon, such as “why brown eggs are more expensive than the white ones” or “why airplane tickets are more expensive to book closer to the departure date.” The paper project is required to be at least a page of legal letter with single space. The second homework is due on **July 26**. I will review the paper project and give it back to you by **August 2**. You will resubmit the paper project **prior to the final exam**.

The homework assignments will NOT be evaluated based on the length of the answer. Instead, they will be evaluated from the following perspectives:

- 1 whether the student’s understanding of the economics concept is correct
- 2 whether the student’s argument is logical and consistent
- 3 whether the student is able to make her/his point clear

H TIPS FOR SUCCESS

ECON 200 requires logical thinking and analytical skills. The following suggestion should be helpful in understanding economics and ,therefore, doing well in this course. It can be summarized as: ”To understand, to think, and to observe.”

- 1 Understand the concepts:

In this course, we will cover various economic concepts. Memorizing all these concepts can be burdensome. It is very important to understand the concepts instead of memorizing them. For most of the concepts, I will provide a simple graphical or numerical examples to depict the key elements of the real world. Understanding the examples will help you appreciate the essence of the underlying idea.

2 Think in context:

After understanding the concepts in the course, it is important to attempt to see how it all fits and works together. Even though the course materials are organized section by section, there are some basic ideas that connect all the concepts. You should try to further understand each new concept by connecting it to the previous concepts. I will also remind you of the related previous concepts in class when introducing a new topic.

3 Observe the real world:

Economic models are not unrelated to the real world. You will feel the power of economics by paying more attention to the world surrounding you. Reading a newspaper, reading a blog, and paying attention to economic phenomena in your daily life are very good economic exercises. By so doing, you get more chances to practice your economics and to sharpen your logic. I will provide some complementary readings that I find interesting and relevant to the class materials. These readings may not seem relevant to the exams but I would recommend that you scan through them.

I ACADEMIC DISHONESTY AND PLAGIARISM

- All UA students are responsible for upholding the Code of Academic Integrity, available through the office of the Dean of Students and online at <http://deanofstudents.arizona.edu/codeofacademicintegrity>. Read the summary in the Student's Guide.
- Submitting an item of academic work that has previously been submitted without fair citation of the original work or authorization by the faculty member supervising the work is prohibited by the Student Code of Conduct.

J CLASS CONDUCTS

All UA students are responsible for upholding the Student Code of Conduct, which can be read online at <http://deanofstudents.arizona.edu/studentcodeofconduct>

K STUDENTS WITH DISABILITIES

If you anticipate accessibility issues related to the format or requirements of the course, please meet with your instructor to discuss ways to ensure your full participation. If you determine that formal, disability-related accommodations are necessary, you need to register with Disability Resources (621-3268; <http://drc.arizona.edu>) and your instructor must be notified of your eligibility for reasonable accommodations so that things can be properly arranged and coordinated.

L COURSE OUTLINES (subject to change as the session moves on)

Date	Lecture	Topics	References
July 8	Introduction	Production Possibility Curve Opportunity Cost Comparative Advantage	AA:1; M:2,3
July 9	Consumer Demand	Basic Postulates Quantity demanded v.s. Demand The Law of Demand	AA:2; M:4
July 10		Determinants for Demand Consumer Surplus	AA:2; M:4
July 11	Market Exchange	Supply Curve Producer's surplus	AA:3; M:4
July 12		Equilibrium Excess Demand Excess Supply	AA:3,4; M:4
July 15		Price ceiling and Price floor Price Elasticity of Demand	AA:2,4; M:5
July 16	Applications	Who pays the tax?	AA:2,4
July 17	First Midterm		
July 18	Production Cost	Costs, Revenue, and Profits Profit Maximization Condition	AA:7; M:12
July 19	Perfect Competition	Price Taker Profit maximization	AA:10; M:13
July 22		Short-run shut down Long-run entry and exit	
July 23		Efficiency of markets	
July 24	Market Power	Price Searcher Profit maximization	AA:11,13; M:14
July 25		Price Discrimination	
July 26	Market Failures	Public goods Externalities Coase Theorem	AA:5; M:10 M:11
July 29	Labor Market	Derived Demand Marginal Revenue Product and Wage	AA:15
July 30	Second Midterm		
July 31	Intro to Macro	Measuring National Income	M:15
August 1		Measuring Cost of living Unemployment and its natural rate	M:16 M:20
August 2		Monetary System Inflation	M:21 M:22
August 5		Aggregate Demand and Aggregate Supply	M:23
August 6		Monetary Policy and Fiscal Policy	M:24
August 7	Final Exam		

M SUPPLEMENTAL READINGS AND VIDEO CLIPS

1 Introduction

- Frank, R. H., “The Opportunity Cost of Economics Education”, The New York Times, September 1, 2005
- Moskowitz, T. J., and Wertheim L. J., Scorecasting, “Are the Chicago Cubs cursed?”, New York: Crown Archetype
- Landsburg, S. E., The Armchair Economist: Economics and Everyday Life, “The Power of Incentives: How Seat Belts Kill”, New York: Free Press
- Landsburg, S. E., The Armchair Economist: Economics and Everyday Life, “The Iowa Car Crop”, New York: Free Press

2 Consumer Demand

- The Economist, “On the floor”, March 31, 2012
- Cooper, M., “If Silicon Valley Costs a Lot Now, Wait Until the Facebook Update”, The New York Times, February 8, 2012

3 Market Exchange

- Shoup, D., “Gone Parkin”, The New York Times, March 29, 2007
- Romer, C. D., “The Business of the Minimum Wage”, The New York Times, March 2, 2013
- The Economist, “What high school is worth on the free market”, January 17, 2012
- The Economist, “Sweetened charity”, June 9, 2012

4 Production Cost

5 Perfect Competition

- Landsburg, S. E., The Armchair Economist: Economics and Everyday Life, “The Indifference Principle: Who Cares if the Air is Clean?”, New York: Free Press

6 Market Power

- Harford T., “Starbucks Economics”, Slate, January 6, 2006
- Landsburg, S. E., The Armchair Economist: Economics and Everyday Life, “Why Popcorn Costs More at the Movies: And Why the Obvious Answer Is Wrong”, New York: Free Press
- Frank, R. H., The Economic Naturalist: In Search of Explanations for Everyday Enigmas, “Why Some Buyers Pay More Than Others: The Economics of Discount Pricing”, New York: Basic Books
- Medina, J., “2-Year College, Squeezed, Sets 2-Tier Tuition”, The New York Times, March 29, 2012

7 Market Failures

- Conniff, R., “An African Success: In Namibia, The People and Wildlife Coexist”, Yale Environment 360, May 12, 2011
- Mankiw, G., “Raise the Gas Tax”, The Wallstreet Journal, October 20, 2006
- Landsburg, S. E., More Sex Is Safer Sex, “More Sex Is Safer Sex”, New York: Free Press

8 Labor Market

- LearnLiberty, “Do Women Earn Less than Men?”, <https://www.youtube.com/watch?v=EwogDPh-Sow>

9 Introduction to Macroeconomics

- Acemoglu, D. and Robinson, J. A. (2012), Why Nations Fail: The Origins of Power, Prosperity, and Poverty, New York: Crown Business
- Bernanke, B. S., (2013), The Federal Reserve and the Financial Crisis, “Origins and Mission of the Federal Reserve”, New Jersey: Princeton University Press
- Chen, V. L., “Stalking the Cause of Unemployment”, Bloomberg Businessweek, July 14, 2011
- The Economist, “Insider aiding”, February 25, 2012
- The Economist, “Abe’s master plan”, May 18, 2013
- LearnLiberty, The Broken Window Fallacy, <https://www.youtube.com/watch?v=erJEaFpS91s>
- EconStories, “Fear the Boom and Bust” a Hayek vs. Keynes Rap Anthem, <https://www.youtube.com/watch?v=d0nERTFo-Sk>
- EconStories, Fight of the Century: Keynes vs. Hayek Round Two, <https://www.youtube.com/watch?v=GTQnarzmT0c>