

Econ 51D: Economic Principles
Duke University
Summer I, 2008

Instructor: Justin Valasek

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Office : Soc-Sci 02E.

Office Hours: Mon after class and Thurs at 2 (or by appointment).

Class: Every weekday from 9:30am-10:45am in Soc-Sci 119.

TA Session: Mondays 6-8pm in Soc-Sci 113.

Text: "Economics," 7th ed., W. Parkin, Pearson/Addison Wesley.

Homework: There will be weekly homework assignments. The homeworks are due on the due date at the end of class (if you're not coming to class, please have a friend turn in your assignment, or drop them off at my office). For each assignment we will check the work to ensure that you have attempted the assignment; we will not grade them for correctness. I will, however, post suggested solutions on Blackboard. Feel free to work in groups of up to 3 students. Please turn in only one assignment per group (list all the group members names on the assignment).

Quizzes: There will also be weekly quizzes (sorry). The quizzes will be administered during the TA session. They will closely resemble one of the questions on the previous HW. The quizzes, unlike the HW, will be graded for correctness. There will be no quiz on exam weeks. A missed quiz will be replaced with your grade on the most relevant exam.

Exams: There will be 3 midterm exams and an optional final exam. If you opt to take the final exam, your lowest midterm grade will be replaced with the grade for the final exam. NOTE: even if your grade on your worst midterm is higher than your grade on the final exam, your final exam grade will STILL replace the grade of your lowest midterm. If you miss a midterm you must take the final exam; your grade on the final exam will count as your midterm grade (There are no makeups).

Midterm 1: May 28th.

Midterm 2: June 10th

Midterm 3: June 23rd

Final Exam: June 26th, 9am-12

Re-grade Requests: Resubmit your work with an additional sheet explaining why you deserve a better grade (just a couple of lines will do). Remember: you are NOT graded on what you know. You are graded on what you are able to communicate on your exam. Therefore, you should not try and convince me that you knew the answer to the question, rather you should try and convince me that I should have realized that you knew the answer based on your original test. Re-grade requests are due one week after the graded test is returned.

Course Objective: This course provides an introduction to economics concepts and issues. It will introduce the student to the terminology and methodology of the economist and use the concepts and tools to explore a variety of topics that are of concern to economists and policy makers. Specifically,

we will be interested in the relationship between the production function, output and various cost curves, how prices are determined, the incidence of taxation, how the entire economy operates and the role of government in fostering an environment in which prices are stable, unemployment is low and the economy is growing. We will also explore the basis of and benefits from trade. An overarching goal of this class will be to teach you how to approach issues using economic methodology. By the end of this class, I want you to be thinking in terms of tradeoffs (opportunity costs), incentives, and margins. An additional area that I will emphasize that is not always taught in economics courses is the tradeoff between efficiency and equity.

Computers and cell phones: No computers are allowed in class (again, sorry). I reserve the right to answer any cell phone that rings during class (exceptions are made for funny ring-tones).

Cheating: Don't do it. Students who are found to be cheating or facilitating cheating will be referred to the proper authorities.

Grade Weights:

Homeworks: 10%

Quizzes: 15%

Exams: 25% each

Course Outline:

NOTE: This course outline is subject to change. Check Blackboard for updates.

Week 1: May 14-16

Chapter 1 and appendix

What is Economics? The issue of scarcity and choice

Economic thinking: efficiency, rationality, opportunity costs, marginal decisions

Macroeconomics vrs microeconomics

Appendix to Ch. 1- graphing

Chapter 2

The production possibilities curve and illustrations of opportunity costs

Marginal decisions

Efficiency

Specialization

Inputs v outputs

Chapter 3

Demand, law of demand

Supply, law of supply

Equilibrium- adjustment to and changes in

Week 2: May 19-23, HW due Mon, Quiz Mon

Chapter 4

Price elasticity

Cross price elasticity

Income elasticity

Chapters 9 and 10,
Economic vrs. Accounting profit.
The production function
Total product curve
Marginal product and average product
The Law of Diminishing Returns
Relationship between output and cost
Total cost, marginal cost, average cost
Longrun vrs shortrun cost

Week 3: May 27-30, No class Monday (enjoy), HW due Tues, **Midterm Wed (28th)**

Chapter 7
Household Consumption Choices
Maximizing Utility
Marginal Utility

Efficiency v Equity
Chapter 5 (pp. 104-107)
Consumer Surplus/Producer Surplus
Chapter 6 (pp. 130-131, 134)
Taxes
Chapter 5 (pp. 108-115)
Efficiency of competitive equilibrium
Equity of competitive equilibrium
Chapter 18 (pp. 416-421)
Measuring economic inequality
Chapter 16 (360-62)
Public Goods

Week 4: June 2-6, HW due Mon, Quiz Mon

Chapter 33
Trade Theory- absolute vrs. Comparative advantage
Autarkic prices
World prices
Tariffs
Reasons for protectionism

Macroeconomic Basics:
GDP (pp. 480-484)
Economic growth and the business cycle (pp. 461-462)
Unemployment (pp. 507-511)
Inflation (pp. 512-515)

Chapter 23
AD/AS model
AS, Classical, Keynesian and Intermediate range.

AD, wealth, interest rate and foreign price effects
Equilibrium
Classical vrs Keynesian debate

Week 5: June 9-13 HW due Mon, Midterm Tues (10th)

Chapter 26
The nature of money
Banks
Money creation
The Federal Reserve
Tools of monetary policy and implementation

Chapter 24 (p. 562-66)
Investment Demand and Savings Supply.

Chapter 27
Money Demand
Money Supply
Quantity Theory of Money

Chapter 29
Total spending- the Keynesian framework
The consumption function
Aggregate Expenditure
Multipliers
Keynesian Model in the short and long run

Week 6: June 16-20, HW due Mon, Quiz Mon

Chapter 31
Government Budget
Supply-Side: Income taxes and Crowding out investment
Laffer Curve
Ricardian Equivalence
Discretionary and Automatic Policy

Chapter 32
Fixed Rule
Feedback Rule
Discretionary Policy

Week 7: June 23-26, HW due Mon, Midterm Mon (23rd), Final (26th, 9am-12)