

Grinnell College
Economics 111.02
Spring 2019

Office Hours: Mon. 11-12; Wed. 2-5 & other times by arrangement

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INTRODUCTION TO ECONOMICS

This course introduces students to basic economic theory, with some discussion of policy applications and economic institutions. Most of the course fits 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. By contrast, macroeconomics focuses at the national level. It examines the determination of key national variables, such as the level and rate of growth of output (gross domestic product, GDP), the rate of inflation, the rate of unemployment, as well as flows of imports and exports and the balance of trade. A second major theme of the course will concern the potential for government policy to improve or hinder economic performance—at either the micro or macroeconomic level. A few key questions: should governments try to reduce pollution or income inequality; should the governments try to control inflation or restrict international trade? Should governments try to reduce unemployment?

*Now at last we are setting ourselves seriously to inquire whether there should be any so-called "lower classes" at all: that is, whether there need be large numbers of people doomed from their birth to hard work in order to provide for others the requisites of a refined and cultured life; while they themselves are prevented by their poverty and toil from having any share or part in that life. . . The question cannot be fully answered by economic science. For the answer depends partly on the moral and political capabilities of human nature . . . But the answer depends in a great measure upon facts and inferences, which are within the province of economics; and this it is which gives to economic studies their chief and their highest interest. -- Alfred Marshall, *Principles of Economics*, 1890.*

COURSE POLICIES

Class Meetings and Etiquette

Class meets Monday, Wednesday, Friday, 9:00 to 9:50. We start at 9:00 sharp! I expect students to attend class and arrive on time. Please plan to stay in the room for the entire class period (only 50 minutes), unless you are uncomfortable. Please TURN OFF cell phones. I do not want you to know that you received a text message! Please do not use laptops without my permission. Laptops are distracting and studies show that handwritten notes improve memory.

Inclusivity and Accommodation for Disabilities

At Grinnell, we strive to create fully inclusive classrooms. The college offers reasonable accommodations for students who observe religious holy days. Please contact me in advance to discuss specific instances that apply to you. I welcome individual students to approach me about distinctive learning needs. Grinnell College makes reasonable accommodations for students with documented disabilities. I encourage students with documented disabilities (including chronic illness, learning disabilities, and psychiatric disabilities) to discuss appropriate accommodations with me **early** in the semester. I recommend seeing me during my office hours. Please note: You will first need to have a conversation with Autumn Wilke, the Coordinator of Disability Resources, 3rd floor Rosenfield Center (x3702). She will review documentation and provide a form to give to me.

Assignments and Grading

There will be three one-hour exams and a final exam, along with nine problem sets, which students must turn in on the dates specified. There also will be several group oral presentations. Problem sets and class participation, including attendance and presentations, count for 30% of the semester grade, and exams count for the remaining 70%, with the final counting as two midterms. I reserve the right to assign additional short (one-page) papers and possibly a few quizzes (likely if I think people are not reading the assignments before class).

Late work: Problem sets turned in late receives a grade deduction.

Absence: Attendance is *required* for all classes. For sports absence, please give me advanced notice. For all absences, excused or unexcused (hopefully none of those), students should email me written answers to the discussion questions for the day(s) missed (before the next class is OK). These answers can raise a day's participation score above zero (the score for not doing so), but they are not equivalent to attending class. It is YOUR responsibility remember to email me your answers.

READINGS

At Book Store (or Amazon):

- N. Gregory Mankiw, *Principles of Economics*, Eighth Edition, Cengage Learning, 2018.

On e-Reserve:

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

Web or PWeb:

- *The Economy* (TE), the CORE Team, available at <https://core-econ.org/the-economy/book/text/0-3-contents.html>
- Several Handouts on PWeb.

COURSE OUTLINE

I. INTRODUCTION: Week 1, Week 2 part.

1. The capitalist revolution; what is economics? Basic economic principles; how economists approach problems and economic models; scarcity, choice, and the production possibilities frontier.
 - *TE*: Introduction, Sections 1.3, and 1.4
 - *Mankiw*, Chapters 1-3
 - *WP*, Chapter 2

Group Presentation 1, Monday, Jan. 28

II. MICROECONOMICS

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

1. Demand, supply, and market equilibrium
 - *Mankiw*, Chapter 4
 - *WP*, Chapter 3

Problem Set One, Due Friday, Feb. 1
Group Presentation 2, Wednesday, Feb. 6
2. Applications: price floors, elasticity, and excise taxes
 - *Mankiw*, Chapters 4 and 5

Problem Set Two, Due Mon. Feb. 11

B. Costs of Production

- *Mankiw*, Chapter 13
- Problem Set Three, Due Fri. Feb. 15**

*****FIRST HOUR EXAM Monday, Feb. 18*****

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

1. Profits and perfect competition
 - *Mankiw*, Chapter 14
2. Imperfect competition and market power: monopoly, oligopoly, and monopolistic competition
 - *Mankiw*, Chapters 15-17

Problem Set Four
Group Presentation

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

1. Wages, poverty, and inequality
 - *Mankiw*, Chapters 18-20
 - *TE*: Sections 1.1, 3.6, 5.9, 5.12, 6.1-6.4

Problem Set Five
Group Presentation
2. Government policy, market failure: externalities, public goods and common pool resources
 - *Mankiw*, Chapters 10-11
 - *TE*: Sections 1.5, 4.1, 4.3, 4.6, 12.1, 12.4

Problem Set Six

*****SECOND HOUR EXAM Friday, March 15 *****

III. MACROECONOMICS: Weeks 9 - 13

1. Macroeconomic variables, goals and measurement.
 - *Mankiw*, Chapters 23-24; TE: 13.1, 13.2
2. Long-run growth
 - *Mankiw*, Chapters 25, 33 (end)
3. Short-run fluctuations and the short-run model
 - *TE*: Sections 14.1, 14.2
 - Problem Set Seven**
4. Fiscal policy and the federal budget
 - *TE*, Sections 14.6 – 14.8
5. Money, banks, the Federal Reserve and monetary policy.
 - *Mankiw*, Chapters 26 and 29
 - Problem Set Eight**
 - Group Presentation**
6. Aggregate demand and supply
 - Mankiw*, Chapter 33
7. Inflation and monetary policy
 - Mankiw*, Chapter 30
 - Problem Set Nine**

*****THIRD HOUR EXAM** Monday, Apr. 29 ***

IV. International Economics Weeks 13-14

1. International Trade, Comparative Advantage and Net Exports
 - Mankiw*, Chapters 9, 31
 - Problem Set Ten**

**** **FINAL EXAM**: Wednesday, May 15, 2:00 – 5:00 p.m. ****
Make your plans accordingly!