Principles of Economics I
ECO-1301-0
Fall 2014
T, F; 5:00-6:25 pm, MAR 139

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Office Hours; M: 10:45-11:45 am, T: 3:30-4:30 pm, Bent Hall 139 and by appointment
COURSE DESCRIPTION

Introduction to the fundamentals of the economic system. The “macroeconomic” approach to employment, prices and economic stability.

CREDIT

3 Credits

OBJECTIVES OF THE COURSE

By the completion of the course, students should:

1. Develop the logic of “economic thinking” through the study of economic principles.

2. Describe scarce economic goods, public goods and externalities.

3. Understand the various ways to approach economic macroeconomic policy-making, and, the unresolved debates around policy approaches.

4. Relate macroeconomic stability policy-making to the business cycle and the measurement of economic variables and aggregates.

5. Apply economic understanding to better comprehend current events in the economy in order to reach independent, well-considered judgments on important public policy issues.
RESOURCES AND READINGS

Main text (Recommended)

N. Gregory Mankiw, *Principles of Macroeconomics*, South-Western (Any edition; the chapters listed below are from the 6th edition which is available on-hold for student use at the SJU library).

In addition, students should stay current on topical events in the economy by reading the *Economist* magazine, the *New York Times* (available for free on campus), the *Wall Street Journal* and/or the *Financial Times*.

Optional Texts


Supplemental Reading Material


Additional References


**Youtube.com videos as supplementary materials**

Charlie Chaplin “Factory Scene”
http://www.youtube.com/watch?v=CYbsBcPDVQM

Milton Friedman “On Greed” http://www.youtube.com/watch?v=RWsx1X8PV_A

“Quantitative Easing Explained” http://www.youtube.com/watch?v=PTUY16CkS-k

“Quantitative Easing Revisited” http://www.youtube.com/watch?v=oGIvw7T0GPI

George Selgin“100 Years: Has the Fed Been a Failure?”http://www.youtube.com/watch?v=yLynuQebyUM

Doug French, “Inflation’s Winners and Losers”
http://www.youtube.com/watch?v=Gu9o0Eii0gI

“Fear the Boom and Bust” http://www.youtube.com/watch?v=d0nERTFo-Sk

“Fight of the Century” http://www.youtube.com/watch?v=GTQnarzmTOc

“Deck the Halls with Macro Follies”
http://www.youtube.com/watch?v=7uKnd6IEiO0

“Fiscal Cliff” http://www.youtube.com/watch?v=eiaYmhQsBHc

“10 Principles by Standup Economist”
http://www.youtube.com/watch?v=VVp8UGjEc4

Robert Higgs “Regime Uncertainty Then and Now”
http://www.youtube.com/watch?v=f73izHRGIIA

**Websites as supplemental materials**

http://www.shadowstats.com/

Mygovcost.org

http://www.economicfreedom.org/

The *Economist* “Big Mac Index”, http://www.economist.com/content/big-mac-index
COURSE REQUIREMENTS AND GRADING PROCEDURE

Class attendance and participation: 15%

Only three hours of missing class is acceptable, beyond that a medical, religious or family excuse is required. Medical or other evidence should be presented at Instructor’s office hours, by email, or by appointment, preferably in advance.

For the class participation grade students are encouraged to discuss issues based on the readings for each class period, topics on economics relating to current events in the news, and, to ask clarification for lecture ideas as they are being presented as need be (there are no irrelevant questions).

All discussions initiated by students will add to a student’s grade for class participation. In order to get an “A” for this portion of the grading protocol a student must participate in class discussion.

Exams: 50%

There will be two exams for the class, a midterm and a final. The midterm exam (October 9, 2014) counts for 20% of the class grade, the final exam (December 12, 2014) will count for 30% of the class grade and is cumulative, as is the discipline of economics. There will be no specific review sessions for exams so students are encouraged to ask questions (again part of class discussion) if they do not understand a concept as it is presented in class. Each exam will be True/False and Multiple Choice questions. The final exam will be 40 questions, and the midterm will be 25 questions. We will review the exams the class following each exam.

In-Class Quiz and Extra Credit: 15%

There will be one in-class quiz based on the “law of supply and demand” and will ask the students to draw supply and demand curves representing differing economic scenarios as discussed in class. The quiz is on October 30, the last 45 minutes of class. We will review the potential quiz topics the class before the quiz. Students are able to earn optional extra-credit by re-writing and improving their responses to the quiz and turning in a revised quiz (while attaching the original) by December 7.
Group Presentations: 20%

On three days of class (11/24, 12/1 and 12/4/2014) student groups will present their group’s consensus opinion on two of the propositions in Mankiw’s list of “Economists Agree”, available on Instructor’s website. Groups will present their consensus agreement or disagreement with Mankiw’s findings, and can use the chalk-board, PowerPoint and/or youtube found or created content to make their case as long as economic logic, as discussed in class and in the Mankiw text, is used in the presentations. Presentations are to be between 10 and 15 minutes for each group, with a group-led 5 minute question-and-answer session after each group presentation.

The Instructor will make available throughout the semester a sign-up sheet for students wishing to sign-up in groups of between 3 and 5 people for this exercise. Students who do not sign-up for a group on or prior to October 20, 2014 will be assigned a group and/or issues the next class, October 23. There is no grade penalty for not signing-up with a class group in advance of deadline.

Grading policy:


Class Rules:

There will be no cellphone or txt use during class; computers (and smartphones etc.) are acceptable if they are used to keep notes on class discussion and/or to do research in order to participate in class discussion. There will be no prolonged “side conversations” during class as they distract from the learning of others. Anyone who persists in disrupting the class will be asked to leave the classroom.

There will be no make-up exams, homework assignments, or other “extra-credit” opportunities (missed deadlines due to documented medical or other emergencies will mean that we re-weight the grading protocol to account for missed work). Any student requiring special accommodations should inform the Instructor as soon as possible at the beginning of the semester. Recording the class is not acceptable, however photos of discussed material is possible if students ask in advance of photographing material.
TOPICS

The topics for the class are organized around Mankiw’s “Ten Principles of Economics”, available on Instructor’s website. Each principle will be used to introduce the fundamental “tools” in economic thinking and will draw upon other text chapters, lectures and supplemental materials which present each “tool” in more detail.

Economic Principles and Tools Chapters from Mankiw, 6th Edition

Introduction: The Keynesian Equation for measurement of the macro-economy [Y=C+I+G+(X-M)], the Burden of Government measurement [G/Y], and introduction to the “Keynesian” and “Hayekian” ideal-types. Economic growth in historical perspective.

“Fear the Boom and Bust” and “Quantitative Easing Explained” Youtube

How people make decisions (Praxeology)

1. People face trade-offs and 2. The cost of something is what you give up to get it

   a. Efficiency versus Equality, positive & negative rights  Ch.1, Lecture
   b. Bankruptcy of welfare-state  Ch.1, Lecture
   i. demographic shifts, ii. “fiscal cliff” Lecture, Youtube
   iii. “Life-cycle economics”
   c. Production Possibility Frontier, opportunity cost  Ch.2
   d. Time-Preferences and Loanable Funds (LF) Market  Ch.13

3. Rational people think at the margin

   a. Adam Smith, self-interest, the “invisible hand”  Ch.1
   b. Milton Freidman on greed Youtube
   c. Marginal Utility, time & ignorance, utility of money, and interpersonal utility comparisons Ch.14, Hayek 1945
   d. Class discussion on “rationality” and “greed”
   e. The Demand Curve, movements and shifts  Ch.4
   f. The Supply Curve, movements and shifts  Ch.4
   g. Normal, inferior, Veblen & experience goods Lecture

4. People respond to incentives

   a. Tax and subsidy incentives  Ch.13
   b. The Laffer Curve  Ch.8
   c. Class discussion on incentives
How people interact (Catallaxy)

5. Trade can make everyone better
   a. Comparative Advantage Ch. 3
   b. Supply & Demand, Consumer and Producer Surplus Ch. 7

6. Markets are usually a good way to organize economic activity
   a. Deadweight Loss (DWL) of government intervention (tax example) Ch. 8
   b. Rent-seeking and transfer of surplus to special interests Krueger 1974
   c. Unintended Consequences of government intervention into markets Lecture
   i. International war on drugs, ii. Rent control, iii. Minimum wage, Ch. 4
   iv. Gas price controls, v. Price controls and disaster response
   d. Factor mobility and price adjustments, “knowledge problem” Hayek 1945
   e. Regulatory capture theory Lecture
   f. Bond rating, ii. BP Gulf of Mexico, and iii. Madoff examples

Film: Atlas Shrugged (2011)
Class discussion on Atlas Shrugged

7. Governments can sometimes improve market outcomes
   a. Property rights and investment Ch. 1 & 12, economicfreedom.org
   b. Externalities: market failures, public goods Ch. 1 & 7
   c. Market vs command and control, Coase Theorem Lecture
   d. Economic and paternalist roles for government Lecture
   e. Robert Higgs’ “Regime Uncertainty” Youtube

How the economy as a whole works (Macroeconomics)

8. A country’s standard of living depends on its ability to produce goods and services
   a. Keynesian equation and measurement of the economy Ch. 10
   b. Productivity (Y/N) Ch. 1
   c. Burden of Government (G/Y) historically considered Lecture
   d. Investment versus Consumption Lecture
   e. Historical economic growth under capitalism revisited Ch. 12, Lecture
   f. IMF, WB, WTO Ch. 9

9. Prices rise when the government prints too much money
   a. Quantity theory of money (MV=PQ) Ch. 8
   i. Keynesian, ii. Monetarist, iii. Austrian monetary theories Shadowstats.com
   b. Consumer Price Index (CPI) Lecture
   c. Distribution effects of inflation Doug French Youtube
   e. Bond ratings, risk and (real) returns Lecture
   d. International goods and money flows Ch. 17 & Lecture
i. Current account and capital account, ii. International Fisher Effects, iii. Purchasing Power Parity

Big Mac Index

10. Society faces a short-run trade-off between inflation and unemployment

a. The Business Cycle Ch.1 & 20
b. The Philips Curve, long- and short-term Ch. 22
c. Definition of unemployment Shadowstats.com, Ch. 22
i. “natural rate”, ii. “new normal” Lecture
d. Keynesian “Demand-Side” fiscal policy Ch. 21
e. Government deficit spending & “crowding-out” in LF Market Ch. 22
f. “Supply-Side” economics Ch. 21 & Lecture
g. Federal Reserve monetary policy & Open Market Operations Ch. 21 & 16
h. Quantitative Easing revisited Youtube
i. Lag-time for macroeconomic interventions Lecture
j. “Systemic risk”, “too big to fail”, Lender of Last Resort Lecture
“Socialized risk and private profits”
k. Central Bank “dual mandate” Lecture
l. Debate on Keynesian versus Austrian Economics Youtube

Class group presentations on “Economists Agree” from Mankiw, available on Instructor’s website.

Final Exam

Review of Final Exam
GRADING SCHEDULE

Midterm Exam 20%
In-Class Quiz and Extra-Credit 15%
Group Presentations 20%
Final Exam 30%
Class Participation and Attendance 15%

100%

Last day to drop class without transcript notation: September 23, 2014
Midterm Examination: October 10
Midterm grades due: October 18
Optional groups formed for “Economists Agree” presentations: October 21
“Economists Agree” groups assigned if not already formed: October 24
In-Class Quiz: October 31 (last 45 minutes of class)
Group presentations on “Economists Agree”: 11/25, 12/2 and 12/5/2014
HMW extra-credit revisions due: December 2
No class Tuesday, December 9 (Monday class meets on Tuesday)
Final Examination: December 12
In-class review of Final exam: December 16
(Final Exam scheduling is tentative pending official final exam schedule)