

University of Wisconsin
Department of Economics
Economics 111: Principles of Economics – Accelerated Treatment
Spring 2010
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COURSE DESCRIPTION

This course is an introduction to Microeconomic and Macroeconomic theory and its applications. Microeconomics and Macroeconomics deal with the behavior of households, firms and markets. Microeconomics studies the behavior of individual decision makers, households (consumers), and firms (producers). Macroeconomics studies aggregate economic behavior (the behavior of all households and firms together).

Economics 111 provides an accelerated treatment of Principles of Economics. It covers the same theoretical material discussed in both Economics 101 and 102. We will use graphs, elementary algebra and mathematical reasoning extensively in this class and we will move quickly through the material. The class is designed for honors students and other students who are strong in Mathematics and have excellent analytical skills.

Prerequisite: Mathematics 112 or 114.

TEACHING FORMAT

This course will apply the active learning format. Usually two out of three of our weekly meetings will be lectures with active student participation. On the third meeting we will follow a student-centered format and have a *group class*. Preparation for a *group class* starts well before the class period begins. You will receive a *Learning Guide* one or two classes in advance. The *Learning Guide* will include the Date, Reading Assignment, Problem Assignment and Objectives for the upcoming *group class*. You are expected to read this material, work out the problem assignment and make sure you can complete the stated objectives. Upon your arrival to the *group class* you will be asked to take an individual 10-minute quiz on this material. When the 10 minutes are up, you turn in your quiz and get together with your group (4-5 students) to discuss and solve all questions a second time. You have 10 minutes to do that, and you turn in one more answer sheet as a group. If questions come up which you cannot answer with certainty within your group one of you will write it on the board. I will use the remainder of that class period and possibly following class periods to answer these questions.

The active learning format will work well for Economics 111. Class meetings are most effective and enjoyable when readings are completed in advance by all. When prepared, students have already an overview of the material and so pay attention to the details and ask good questions. Instructors and students enjoy a lively audience. In a course like Economics 111 where there is an unusually large amount of material that needs to be grasped quickly, you rely extensively on students' preparation and work outside the classroom. I want to motivate you to prepare and guide you to do it well. Lectures alone are not always the most effective teaching method. Lectures are passive by nature

and can therefore generate boredom. Students only retain a small fraction of the material presented. Instead, small group student-centered learning in addition to lectures can lead to desirable educational outcomes.

COURSE REQUIREMENTS

1. Problem Sets (10% of grade).
2. Group Quizzes (10% of grade).
3. Individual Quizzes (5% of grade).
4. First Midterm Examination (20% of grade).
In class, **February 26**. Covers Chapters 1-12.
5. Second Midterm Examination (20% of grade).
In class, **April 9**. Covers Chapters 13-24.
6. Final Examination (35% of grade).
Sunday, May 9, 10:05. Covers all material

Required Text and Supplemental Book:

Karl E. Case, Ray C. Fair, and Sharon Oster, Principles of Economics, Prentice Hall, 9th edition, 2009. (Hereafter CFO).

Roger LeRoy Miller, Daniel K. Benjamin, and Douglass C. North, The Economics of Public Issues, Addison Wesley, 13th edition, 2003. (Hereafter M,B&N).

Case & Fair & Oster is the main textbook for the course. You can find copies of it at the bookstore. The textbook and the study guides are also on **reserve at the College Library (Helen C. White Hall)**. The course outline that follows gives the chapters that correspond to the lectures. You are responsible for this material and are expected to come to class prepared and participate.

The textbook is available in two forms that are identical in terms of material (the student value edition with the three-punched holes and the regular textbook). They differ in price. Please purchase **ONE** of the two.

There are a few optional, supplemental readings for this class. They are all chapters from the **Miller, Benjamin & Norton** book, *The Economics of Public Issues*. The supplemental readings are short articles on real life controversial issues that apply to the theoretical material discussed in class. **This supplemental book is also on reserve at the College Library.**

The problem sets I will provide throughout the semester have been constructed carefully and will serve as an excellent practice for the exams. You are strongly encouraged to work together with classmates when solving these problem set questions, but complete and turn in **your own**. Students who are regular members of study groups have done significantly better in this class and also have enjoyed the process more. No late problem sets will be accepted.

Problem sets, Learning Guides and Practice Quizzes will be posted in the course website: www.ssc.wisc.edu/~kohansen

In addition to the problem sets I will give out in class, you can find more problems in your book at the end of each chapter for additional practice. Solutions to all of these problems are in your

electronic reserves for this class. (Go to My UW, select Academic, and then Econ 111). These are pages from the instructor's manual of our textbook that I have put on reserve for your use.

COURSE OUTLINE

I. INTRODUCTION TO ECONOMICS (Jan. 20, 22)

CFO Chapters 1 & 2.

M,B&N Chapter 1: Killer Airbags

M,B&N Chapter 11: Rationing Health Care

II. SUPPLY, DEMAND & THE MARKET EQUILIBRIUM (Jan. 25, 27, 29)

CFO Chapters 3 & 4

M,B&N Chapter 5: Sex, Booze and Drugs

M,B&N Chapter 7: Slave Redemption in Sudan

ELASTICITY (Feb. 1, 3)

C&F, Chapter 5.

M,B&N Chapter 6: Is Water Different?

M,B&N Chapter 16: Coffee, Tea or Tuition Fee?

III. CONSUMERS AND FIRMS IN A COMPETITIVE ENVIRONMENT

1. HOUSEHOLD BEHAVIOR & CONSUMER CHOICE (Feb. 5, 8)

CFO Chapter 6 (including Appendix).

2. PRODUCER BEHAVIOR

PROFIT MAXIMIZATION (Feb. 10)

CFO Chapter 7.

SHORT-RUN & LONG-RUN COSTS & OUTPUT DECISIONS (Feb. 12, 15, 17)

CFO Chapters 8 & 9.

M,B&N Chapter 3: Flying the Friendly Skies

LABOR, LAND & CAPITAL MARKETS (Feb. 19, 22)

CFO Chapter 10.

M,B&N Chapter 4: The Costs of Terrorism

3. GENERAL EQUILIBRIUM & PERFECT COMPETITION (Feb. 24)

CFO, Chapter 12.

FIRST MIDTERM EXAMINATION (FEBRUARY 26 - CFO CHAPTERS 1-12)

IV. PROBLEMS WITH MARKETS

1. ALTERNATIVE MARKET STRUCTURES

MONOPOLY & MARKET POWER (March 1, 3)

CFO Chapter 13 (except pp. 289-294).

M,B&N Chapter 13: Lights out in California

M,B&N Chapter 14: The Internet Economy

OLIGOPOLY, GAME THEORY & MONOP. COMPETITION (March 5, 8, 10, 12)

CFO Chapter 14 & 15.

M,B&N Chapter 17: The Perils of Product Differentiation
M,B&N Chapter 15: Contracts, Combinations, & Conspiracies
2. EXTERNALITIES - PUBLIC GOODS & TAXES (March 15, 17)
CFO Chapter 16
M,B&N Chapter 9: Smoking & Smuggling
M,B&N Chapter 25: Bye, bye Bison
M,B&N Chapter 27: Greenhouse Economics

V. MACROECONOMIC CONCEPTS, PROBLEMS, & POLICY

1. NATIONAL OUTPUT, UNEMPLOYMENT & INFLATION (March 19, 22, 24)
CFO, Chapters 20, 21 & 22.

2. EQUILIBRIUM ANALYSIS, COMPARATIVE STATICS, MULTIPLIER EFFECTS & FISCAL POLICY (March 26, April 5 & 7)
CFO, Chapters 23 & 24.

SECOND MIDTERM EXAMINATION (APRIL 9 - C&F CHAPTERS 13-24)

VI. THE ROLE OF MONEY (April 12, 14, 16, 19, 21)

1. MONEY SUPPLY - THE FEDERAL RESERVE & THE BANKING SYSTEM
CFO Chapter 25
M,B&N Chapter 30: The Euro

2. MONEY DEMAND - INTEREST RATES & TRANSACTIONS COSTS
CFO Chapters 26 & 27 (including the Appendix).
M,B&N Chapter 31: Monetary Policy & Interest Rates

VII. APPLICATIONS & DEBATES

1. AGGREGATE DEMAND & AGGREGATE SUPPLY – INFLATION (April 23)
CFO Chapter 28

2. THE LABOR MARKET, UNEMPLOYMENT & INFLATION (April 26)
CFO Chapter 29

3. MACROECONOMIC POLICY – BUDGET DEFICIT – STOCK MARKET (April 28)
CFO Chapter 30
M,B&N Chapter 32: The Disappearing Surplus

4. ECONOMIC GROWTH & PRODUCTIVITY (April 30)
CFO Chapter 32

VIII. INTERNATIONAL ISSUES (May 3, 5, 7)

INTERNATIONAL TRADE , EXCHANGE RATES & PROTECTIONISM
CFO Chapters 34 & 35
M,B&N Chapter 28: The Opposition to Free Trade
M,B&N Chapter 29: The \$750,000 Job