

**Principles of Economics**  
ECON 119 – Section 03  
Macalester College  
Department of Economics  
Fall 2016

Class Time: MWF 9:40-10:40am  
Classroom: Carnegie 305  
Office Hours: Mon. & Wed. 1:00-2:30pm, Thur. 9-11am  
and by appointment  
Email: ferderer@macalester.edu  
Preceptor: Jack Buan (jbuan@macalester.edu)

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**Course Description:** Throughout human history, from early hunter-gatherers to modern industrial societies, people have engaged in the production, trade and consumption of goods and services to satisfy basic needs and improve well-being. This course introduces students to basic economic concepts and theories so that they can begin to understand how modern economic systems function to serve these goals. The course is split into three parts.

In the first, students are introduced to the methodology of economics – i.e., how to “think like an economist” – and learn how markets function and facilitate the gains from trade. We investigate cases where markets work well to allocate goods and services in society and those where “market failures” necessitate government intervention.

The second part of the course drills deeper and explores (1) the optimizing behavior of individual consumers and firms, (2) how different market structures (i.e., competitive markets versus monopoly) influence human welfare, and (3) the markets for factors of production such as labor, natural resources and capital. Here, we learn about the rational choice model employed by many social scientists and explore factors that influence the inequality of income and wealth.

The final part focuses on the financial system and macroeconomics—the study of economy-wide “aggregates” such as Gross Domestic Product, the Consumer Price Index and the unemployment rate. One important goal here is to examine the forces driving economic growth over time. Another is to learn about the business cycle and the role that fiscal and monetary policy play to mitigate them.

**Readings:** The textbook for the course is *Principles of Economics*, 2015, 7<sup>th</sup> Edition, by Gregory Mankiw. New and used copies are available for purchase in the bookstore, and copies of the 6<sup>th</sup> Edition can be borrowed from the library for 24 hours. Additional readings and videos will be posted on the course Moodle page.

**Prerequisites and AP Credit:** Students are not required to take any other course before enrolling in Principles of Economics. However, they should be comfortable working with simple algebra, graphs and the concept of correlation. If you need help in these areas, please review the appendix to Chapter 2 of the textbook and see me if you are having difficulty grasping the concepts. Students who received a score of 5 on both the micro and macro AP exam, or a 6 on the IB exam, can receive 4 credits for Introduction to the American Economy (ECON 115) and should discuss this with the Registrar. However, students must receive a grade of C- or higher in Principles of Economics (ECON 119) before they are permitted to enroll in upper level economics courses. Please note that ECON 115 cannot be used to satisfy course requirements for the economics major.

**General Education Requirements (GER):** Over your four years at the college, you must complete one course in each of the four GER areas: Internationalism, Quantitative Thinking, U.S. Identities and Differences, and Writing. This course fully satisfies the Quantitative Thinking GER.

**Expectations:** As your professor, I strive to know my stuff, set high but attainable standards, be a fair and objective grader, provide well-organized and stimulating lectures, promote class discussion which facilitates active learning, and be available outside of class for consultation. The preceptor will provide assistance with the problem sets and help you prepare for examines. I expect that students will work hard in this course, complete readings prior to class, turn assignments in on time, and be an active and courteous classroom participant.

**Accommodations:** Accommodations are available for students with documented disabilities. To obtain assistance, contact Robin Hart Ruthenbeck, Assistant Dean of Students, at 651-696-6220 or rhartrut@macalester.edu. Students are encouraged to address any learning needs or accommodations as soon as possible. More information about the accommodations process for students with disabilities can be found at: [www.macalester.edu/studentaffairs/disabilityservices/](http://www.macalester.edu/studentaffairs/disabilityservices/)

**Grading:** The final course grade will be determined by performance in the following areas:

First Exam	25%
Second Exam	25
Third Exam (not cumulative)	25
Problem Sets (10) & Assignments	25

Students must take the exams at the scheduled times unless they have (1) a conflict with a school sponsored extracurricular activity or religious holiday, or (2) a personal emergency. In the first case, you must reschedule the exam at least one week prior to the original exam time. In the latter, you must supply written verification of the emergency. Please note that the third exam will be given on December 13 at 8:00am and students will fail this exam if they are not on campus to take it. Students are encouraged to work together, but must submit their own problem set. Students will earn more points if their narratives are clear and parsimonious and diagrams are precisely drawn. Problem sets are due at the start of class. Late problem sets, or those submitted by email, will not be accepted. Problem sets and other material will be posted on the course Moodle page. Students earn class participation credit by (a) showing up to class on time, (b) being an engaged and respectful listener, and (c) making productive contributions to class discussions.

**Academic Honesty:** Cheating on exams and problem sets (e.g., copying someone else's answers, pulling information from a cell phone during an exam, etc.) and plagiarism (i.e., failure to acknowledge the contributions of others' work to your own) will result in a grade of **F** for the exam or assignment in question. It will also be reported to the Dean of Academic Programs and could result in a failing grade for the course. For more information on academic honesty, consult the *Student Handbook*. If you have any remaining uncertainty about what constitutes cheating and plagiarism, you should discuss this matter with me.

**Tips for Success in this course and beyond:**

- 1) Use active learning strategies. Plan to keep your textbook and fill the margins with questions, comments and other symbols that allow you to "separate the wheat from the chaff" and keep track of material you might not understand. Ask questions and engage in debate.
- 2) Take full advantage of the three hours we spend together each week. Be on time and be prepared. The ability to listen is a highly underrated skill.
- 3) Form study groups so you can learn from one another. Explaining concepts to others forces you to understand them better. Two heads are better than one.
- 4) A useful method for clarifying thinking about complex ideas is to write about them. Editing and rewriting will help you gain deeper understanding and you might want to consider rewriting your class notes.
- 5) Many ideas in economics are represented visually in diagrams (e.g., supply and demand, indifference curves, etc.) I encourage the use of rulers, round surfaces, graphing calculators and other tools that help you draw precise diagrams. Well-constructed and clear diagrams lead to deeper insight. Sloppy diagrams promote sloppy thinking.
- 6) Don't underestimate the value of exercise, healthy food and sleep!

### Course Outline and Reading List

Date		Day	Chapter	Topic	Due
Aug.	31	Wed	1	Ten Principles of Economics	
Sep.	2	Fri	2	Thinking Like an Economist	
	5	Mon	<b>LABOR DAY</b>		
	7	Wed	3	Interdependence & the Gains from Trade	
	9	Fri	4	The Market Forces of Supply & Demand	Homework 1
	12	Mon	4	The Market Forces of Supply & Demand	
	14	Wed	5	Elasticity	
	16	Fri	6	Government Policy & Markets	Homework 2
	19	Mon	6	Government Policy & Markets	
	21	Wed	7	The Efficiency of Markets	
	23	Fri	8	Application: The Costs of Taxation	Homework 3
	26	Mon	9	Application: International Trade	
	28	Wed	10	Externalities	
	30	Fri	11	Public Goods & Common Resources	Homework 4
Oct.	3	Mon	<b>FIRST EXAM</b>		
	5	Wed	21	Consumer Choice	
	7	Fri	21	Consumer Choice	
	10	Mon	13	Firms and the Costs of Production	
	12	Wed	14	Profit Maximization	Homework 5
	14	Fri	14	Perfect Competition	
	17	Mon	15	Monopoly	
	19	Wed	15	Monopoly	Homework 6
	21	Fri	<b>FALL BREAK</b>		
	24	Mon	16	Monopolistic Competition	
	26	Wed	17	Oligopoly	
	28	Fri	18	Factor Markets	
	31	Mon	19	Earnings and Discrimination	Homework 7
Nov.	2	Wed	20	Inequality	
	4	Fri	<b>SECOND EXAM</b>		
	7	Mon	23	GDP	
	9	Wed	24	The Cost of Living	
	11	Fri	25	Production and Growth	
	14	Mon	26 & 27	Financial System & Present Value (p. 547-53 & 569-76)	Homework 8
	16	Wed	26	Loanable Funds Market (p. 554-65)	
	18	Fri	29	The Monetary System (p. 609-15 & section 293d)	
	21	Mon	29	Central Banks and Monetary Policy (p. 617-29)	
	23	Wed	<b>THANKSGIVING BREAK</b>		
	25	Fri			
	28	Mon	30	Money Growth and Inflation	
	30	Wed	31	International Trade Flows (section 31-1)	Homework 9
Dec.	2	Fri	31	Exchange Rates (section 31-2 & 31-3)	
	5	Mon	28	Unemployment	
	7	Wed	33	Aggregate Demand and Supply	
	9	Fri	33	Aggregate Demand and Supply	Homework 10
	13	Tues.	<b>THIRD EXAM 8:00am - 10:00am</b>		