

Economics 201  
Spring 2016  
Syllabus

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## **Introduction to Economic Analysis**

Course Content: This course familiarizes students with the fundamental question of economics: how to allocate scarce resources among competing ends. The first ten weeks of the course focuses on microeconomics—the field of economics that analyzes the behavior of consumers, firms, and markets. The last three weeks of the course is an introduction to macroeconomics—the study of the economy as a whole.

Office Hours: Office hours are on Mondays and Wednesdays from 3:15-4:15 and on Thursdays from 4-5pm. Students who are unable to come during these times are encouraged to make an appointment.

Resources: Tutors for the class will be in ETC 208 on Mondays (Kammy Chiu, 6-8pm), Wednesdays (Taylor LaPrairie, 6-8 pm), and Thursdays (Jordan Wynne, 7-9 pm). Other tutors can assist with quantitative skills, solving economic problems, and reviewing important concepts.

Collaboration: The Honor Principle and the ethics of proper academic conduct must guide your conduct in this class in all respects. The following section from the Guidebook to Reed College summarizes my expectations for students in Econ 201:

*Reed College is a community of scholars. The fundamental ethical principle governing scholarship is that one should never claim or represent as one's own work that which is not one's own. The principle of proper academic conduct requires that all work submitted for academic purposes--including, but not limited to examinations, laboratory reports, essays, term papers, homework exercises, translations, and creative work--be the work of the person who submits it, and that, in the case of work based upon experiment and observation, the experimental results and observations be reported faithfully. The principle thus requires that no one claim authorship to the work of another and that no one falsify or misrepresent empirical data. This principle should be clear to every scholar, although determining its application in particular circumstances will require careful thought and guidance.<sup>1</sup>*

You are encouraged to work with classmates, tutors, and the instructor on problem sets. However, when you write the assignment it must be your work and should be written in words that reflect your understanding of the course material. Citations should be used when appropriate and should conform to the guidelines in the Economic Department Citation Guide, which is available on the class Moodle site.

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<sup>1</sup> For more information see: [http://www.reed.edu/academic/gbook/comm\\_pol/acad\\_conduct.html](http://www.reed.edu/academic/gbook/comm_pol/acad_conduct.html)

Text and Required Readings: The required textbook for this course is *Microeconomics and Behavior* (7<sup>th</sup> edition) by Robert H. Frank. I recommend purchasing a copy of this text since it will be an essential reference throughout the semester; copies of this book are also on 2-hour reserve in the Reed Library. Copies of Pindyck and Rubinfeld's *Microeconomics* (6<sup>th</sup> edition) are also on reserve if you would like to read an alternative treatment of microeconomic topics. *Principles of Macroeconomics* (6<sup>th</sup> edition) by N. Gregory Mankiw will be used for the last three weeks of the course. Copies of this book are available for purchase in the Reed Bookstore and are also on 2-hour reserve in the Reed Library.

Students are responsible for the required readings listed on the syllabus and for additional readings that will occasionally be posted on the class Moodle site. I encourage you to post relevant articles, audio clips, etc. to the appropriate forum on the class Moodle site.

Reserve Materials: The following books are on two-hour reserve

Feenstra, Robert C. and Alan M. Taylor. 2008. *International Trade* New York, NY: Worth Publishers.

Frank, Robert H. 2008. *Microeconomics and Behavior* (7<sup>th</sup> edition) Boston, MA: McGraw-Hill Irwin.

Mankiw, N. Gregory. 2012. *Principles of Macroeconomics* (6<sup>th</sup> edition) Mason, OH: South-Western Cengage Learning.

Pindyck, Robert S. and Daniel L. Rubinfeld. 2005. *Microeconomics* (6<sup>th</sup> edition) Upper Saddle River, NJ: Pearson Prentice Hall.

Important Dates:

Midterm Examinations: February 26 and April 8

Comprehensive Final Exam: Date and time to be announced by the Registrar's Office

There are five required problem sets for the course. Problem sets are due one week after they are distributed. Hard copies of all assignments are due at the start of class with late assignments penalized 1 letter grade for each day past the due date; *assignments handed in more than 3 days after the due date will not be accepted.* Please contact me as soon as possible if there are extenuating circumstances (illness, personal emergency) that justify an extension of a problem set deadline.

Problem Set	Date Distributed	Date Due
1	Friday, February 5	Friday, February 12
2	Friday, February 12	Friday, February 19
3	Friday, March 4	Friday, March 11
4	Friday, March 18	Friday, April 1
5	Wednesday, April 20	Wednesday, April 27

## Course Outline and Readings<sup>2</sup>

### I. Introduction to Microeconomics: January 25

Frank, Chapter 1

\*Whaples, Robert. 2006. Do Economists Agree on Anything? Yes! *The Economists' Voice* 3(9) Article 1.

\*Backhouse, Roger E. and Steven G. Medema. 2009. On the Definition of Economics *Journal of Economic Perspectives* 23 (1) 221-233.

### II. Demand, Supply and Market Equilibrium: January 27 & 29, February 1

Frank, Chapter 2 and Appendix

Surowiecki, James. 2002. Fare Games *The New Yorker* (March 18).

*The Economist*. 2016. Election Forecasting: Prediction 2016 (January 2)

Kroetz, Kailin and James N. Sanchirico. 2015. The Costs of Competing Goals in Fishery Management *Resources* (September 24) 18-24.

### III. Consumer Behavior and Demand: February 3, 5, 8, 10 & 12

Frank, Chapters 3, 4 & 5

Glaeser, Edward L. 2005. Should the Government Rebuild New Orleans, Or Just Give Residents Checks? *The Economists' Voice* 2 (4) Article 4.

English, Ed. 2011. Tax and Nicotine. *EconSouth* (Second Quarter): 22-26.

\*Waldfoegel, Joel. 1993. The Deadweight Loss of Christmas *The American Economic Review* 83 (5) 1328-1336.

\*Kagel, John H., Raymond C. Battalio and Leonard Green. 1995. *Economic Choice Theory: An Experimental Analysis of Animal Behavior*. Cambridge University Press, Cambridge, UK.

\*Leibenstein, H. 1950. Bandwagon, Snob, and Veblen Effects in the Theory of Consumers' Demand *The Quarterly Journal of Economics* 64 (2): 183-207.

### IV. Applications of Consumer Theory: February 15 & 17

Frank, Chapters 6 & 8

*The Economist*. 2009. New-Year Irresolution (December 30) 55.

*The Economist*. 2008. Carrot and StickK (February 7) 82-83.

\*Akerlof, George A and Robert J. Shiller. 2009. *Animal Spirits: How Human Psychology Drives the Economy, and Why it Matters for Global Capitalism*. Princeton, NJ: Princeton University Press.

\*Kahneman, Daniel. 2003. A Psychological Perspective on Economics. *American Economic Review* 93(2): 162-166.

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<sup>2</sup> Readings marked with a \* are optional. These are available in the stacks of the Reed Library or through article databases.

## **V. Labor and Capital Markets: February 19, 22 & 24**

Frank, Chapters 14 and 15

Daly, Mary and Leila Bengali. 2014. Is It Still Worth Going to College? *Federal Reserve Bank of San Francisco Economic Letter* (May 5).

Neumark, David. 2015. The Effects of Minimum Wages on Employment *Federal Reserve Bank of San Francisco Economic Letter* (December 21).

Neumark, David. 2015. Reducing Poverty via Minimum Wages, Alternatives *Federal Reserve Bank of San Francisco Economic Letter* (December 28).

\*Blau, Francine D. and Lawrence M. Kahn. 2007. The Gender Pay Gap *The Economists' Voice* 4 (4) Article 5.

\*Blank, Rebecca M. 2011. *Changing Inequality* University of California Press, Berkeley, California.

\*Brummer, Chris and Daniel Gorfine. 2013. Crowdfunding: The Next Big Thing *The Milken Institute Review* (First Quarter) 66-72.

\*Goldin, Claudia. 2015. How to Achieve Gender Equity in Pay *The Milken Institute Review* (3<sup>rd</sup> quarter) 24-33.

\*Slemrod, Joel and Jon M. Bakija. 2008. *Taxing Ourselves: A Citizen's Guide to the Debate Over Taxes* MIT Press, Cambridge, Massachusetts.

### ***Midterm Examination #1: Friday, February 26***

## **VI. Production and Cost: February 29, March 2 & 4**

Frank, Chapters 9 and 10

Rich, Motoko. 2010. Math of Publishing Meets the E-Book *The New York Times* (March 28).

*The Economist*. 2012. Free Exchange: Land of the Corporate Giants (November 3).

## **VII. Perfect Competition: March 7 & 9**

Frank, Chapter 11

*The Economist*. 2009. Newspapers and Technology: Network Effects (December 17).

*The Economist*. 2016. Room Rentals v. Hotels: Buffett's Revenge (January 9)

## **VIII. Imperfect Competition: March 11, 14 & 16**

Frank, Chapters 12 and 13

*The Economist*. 2009. Economics Focus: E Pluribus Tunum (October 24) 88.

\* Schmalensee, Richard. 1978. Entry Deterrence in the Ready-to-Eat Breakfast Cereal Industry *The Bell Journal of Economics* 9(2) 305-327.

## **IX. General Equilibrium and Efficiency: March 18**

Frank, Chapter 18W (focus on pages 18W-1 to 18W-15).

## **X. Externalities: March 28**

- Pindyck and Rubinfeld, *Microeconomics*, Chapter 18 (pages 641-665).
- Williams III, Robertson C., Dallas Burtraw, and Richard D. Morgenstern. 2015. The Impacts of a US Carbon Tax Across Income Groups and States *Resources* (September 24): 25-29.
- Stone, Chad. 2015. Designing Rebates to Protect Low-Income Households Under a Carbon Tax *Resources* (September 24) 31-35.
- \*Davis, Lucas W. 2008. The Effect of Driving Restrictions on Air Quality in Mexico City *Journal of Political Economy* 116 (1) 38-81.
- \*Grainger, Corbett and Charles Kolstad. 2010. Who Pays a Price on Carbon? *Environmental and Resource Economics* 46 (3) 359-396.
- \*Leape, Jonathan. 2006. The London Congestion Charge *Journal of Economic Perspectives* 20(4) 157-176.
- \* Sovacool, Benjamin. 2008. Renewable Energy: Economically Sound, Politically Difficult. *The Electricity Journal* 21(5): 18-29.

## **XI. Public Goods: March 30 & April 1**

- Frank, Chapter 17 (pages 567-582)
- Henrich, Joseph, Robert Boyd, Samuel Bowles, Colin Camerer, Ernst Fehr, Herbert Gintis, and Richard McElreath. 2001. In Search of Homo Economicus: Behavioral Experiments in 15 Small-Scale Societies *American Economic Review* 91 (2) 73-78.

## **XII. Income Distribution and Poverty: April 4**

- Frank, Chapter 17 (pages 582-591)
- Bengali, Leila and Mary Daly. 2013. U.S. Economic Mobility: The Dream and the Data *Federal Reserve Bank of San Francisco Economic Letter* (March 4).
- Dube, Arindrajit and Ethan Kaplan. 2012. Occupy Wall Street and the Political Economy of Inequality. *The Economists Voice* (March) 1-7.
- \* Alvaredo, Facundo, Anthony B. Atkinson, Thomas Piketty and Emmanuel Saez. 2013. The Top 1 Percent in International and Historical Perspective *Journal of Economic Perspectives* 27 (3) 3-20.
- \* Blank, Rebecca. 2006. Was Welfare Reform Successful? *The Economists' Voice* 3(4).
- \*Cragg, Michael and Rand Ghayad. 2015. Growing Apart: The Evolution of Income vs. Wealth Inequality *The Economists' Voice* 12 (1) 1-12.

## **XIII. International Trade: April 6**

- Feenstra and Taylor, *International Trade*, Chapter 1
- Mankiw, *Principles of Macroeconomics*, Chapter 3
- \*Farrell, Diane. 2006. U.S. Offshoring: Small Steps to Make it a Win-Win *The Economists' Voice* 3(3).

## **Midterm Examination #2: Friday, April 8**

### **XIV. Introduction to Macroeconomics: April 11**

Mankiw, Chapters 10 and 11

Stiglitz, Joseph E. 2009. GDP Fetishism *The Economists' Voice* 6 (8) Article 5.

Revsin, Andrew C. 2005. A New Measure of Well-Being From a Happy Little Kingdom *The New York Times* (October 4).

### **XV. Economic Growth: April 13**

Mankiw, Chapter 12

*The Economist*. 2010. Worth a Hill of Soybeans (January 7)

Cox, Michael W. and Richard Alm. 2008. China and India: Two Paths to Economic Power Federal Reserve Bank of Dallas *Economic Letter* 3(8).

*The Economist*. 2012. Green Growth: Shoots, Greens and Leaves (June 16): 68-70.

\*Komlos, John. 2015. Disruptive Innovation: The Dark Side *The Milken Institute Review* (First Quarter) 28-34.

\*Looney, Robert. 2013. Expeditionary Economics: Make Entrepreneurs, Not War *The Milken Institute Review* (Second Quarter) 30-37.

\*Rodrik, Dani. 2014. Why an African Growth Miracle is Unlikely *The Milken Institute Review* (Fourth Quarter) 42-54.

\* The Brookings Institution. 2013. Fostering Growth Through Innovation (January 15).

### **XVI. Unemployment: April 15**

Mankiw, Chapter 15

Farber, Henry S. 2012. The Cost of Job Loss in the Great Recession: How Bad Has It Been? *Economists' Voice* (January): 1-5.

Martinez-Garcia, Enrique and Janet Koech. 2010. A Historical Look at the Labor Market During Recessions *Economic Letter--Insights from the Federal Reserve Bank of Dallas* 5(1).

### **XVI. Money, Monetary Policy and Inflation: April 18 & 20**

Mankiw, Chapters 16 and 17

Akerlof, George, William Dickens, and George Perry. 2000. Why a Little Inflation is Good. *Milken Institute Review* (4<sup>th</sup> quarter): 12-18.

Williams, John C. 2015. Dancing Days Are Here Again: The Long Road Back to Maximum Employment *Federal Reserve Bank of San Francisco Economic Letter* (December 7).

\* Radford, R.A. 1945. The Economic Organization of a P.O.W. Camp *Economica* 12 (48)189-201.

## **XVII. The Short Run--Economic Fluctuations: April 22**

Mankiw, Chapter 20

Bosworth, Barry P. 2015. Opinion: Limited Gains in Living Standards Caused by a Supply-Side Recession Brookings Institution (December).

Bernanke, Ben. 2012. Some Reflections on the Crisis and the Policy Response. Speech delivered at the Russell Sage Foundation and The Century Foundation Conference on "Rethinking Finance," New York, New York (April 13).

## **XVIII. Monetary and Fiscal Policy: April 25 & 27**

Mankiw, Chapters 21 and 22

*The Economist*. 2012. Free Exchange: No Short Cuts. (October 27)

Stiglitz, Joseph. 2012. Stimulating the Economy in an Era of Deficit and Debt. *The Economists' Voice* (March): 1-6.

Bernanke, Ben S. 2013. A Century of U.S. Central Banking: Goals, Frameworks, and Accountability *Journal of Economic Perspectives* 27 (4) 3-16.

\**The Economists' Voice*. 2012. What To Do About the Long Run Federal Budget Problems? (March).

\*Krugman, Paul. 1998. Baby-Sitting the Economy *Slate* (August 14).

\*Fair, Ray. 1996. Econometrics and Presidential Elections. *Journal of Economic Perspectives* 10 (3): 89-102.

## **XIX. Concluding Thoughts: April 29**

Mankiw, Chapter 23

*The Economist*. 2012. The Next Crisis: Sponging Boomers (September 29): 75-76.

Krugman, Paul. 2009. How Did Economists Get It So Wrong? *The New York Times* (September 2).