

Instructor: John Deal
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Office Hours: MWF 2:00 – 3:00; TR 11:00 – 12:00 and 1:00 – 1:45; or by appointment. You can feel free to come by anytime that my office door is open. I will talk with you then if I am not otherwise occupied.

Course Description:

Although many people associate economics with business and finance, it is really a way of looking at the way that people (including business and government) make decisions. In the book *Freakonomics*, University of Chicago professor Steven Levitt and journalist Stephen Dubner stated that “Morality, it could be argued, represents the way that people would like the world to work – whereas economics represents how it actually *does* work.” Economic theory and tools can explain such diverse issues as the following:

- why the introduction of mandatory seatbelts in automobiles actually has led to an increase in the number of automobile accidents
- why the Roe v. Wade decision legalizing abortion contributed to the decline in the crime rate in the 1990s (Levitt and Dubner, 2005)
- why efforts of humanitarian agencies to end slave trade in the Sudan actually led to an increase in slave trade
- why movie theaters charge lower prices for students and senior citizens than they do for “adults”
- why the movement of textile and other manufacturing jobs to Mexico and Southeast Asia may actually lead to a positive net benefit to the United States
- why women have generally been paid lower wages than men for the same job

In essence, the basic idea behind economics is that people face scarcity (money, time, resources, etc.) relative to their desires. This requires them to make choices among competing options. In addition, economists assert that people respond to incentives (economic, social, political, etc.) when making those choices. Economics provides a framework with which to explore all kinds of questions that affect our daily lives.

Prerequisites: None

Course Learning Goals: The learning goals for this class are that the student should be able to:

- (1) understand basic economic theory and terminology
- (2) understand that economics is a way of looking at the world not a set of particular topics
- (3) recognize and discuss the economic components of current issues
- (4) employ critical thinking and quantitative skills to the analysis of economic issues
- (5) effectively communicate their analysis in a written format

* A list of specific learning goals for each module is contained in the topics and reading list at the end of the syllabus.

Class Format and Expectations:

This class has been designed as an active learning experience for the student. Empirical research indicates that students learn best in a student guided learning (not lecture-based) format. As psychologist W. McKeachie (1997) stated:

Many students prefer teaching that enables them to listen passively – teaching that organizes the subject matter for them and that prepares them well for tests ... research, however points to better retention, thinking, and motivational effects when students are more actively involved in talking, writing, and doing ... Thus, some teachers get high ratings for teaching in less than ideal ways.

While some of the material will be presented in a lecture format, I will try to incorporate many other learning styles, including exercises, media presentations, and computer-aided work. Since new material in this course builds on previously presented material, you must keep up with the material in order to succeed in this class. I expect you to **attend class**, be prepared (read the assigned material before class), and participate in class discussions. For my part, I will try to be organized, well-prepared, considerate, and accessible. If you have any problems, questions, concerns, or just a desire to talk, I will make myself available. I want you to succeed in this course, but grades are only one measure of success. I want you to realize the importance of economics in your quest to develop a better understanding of the world around you and your place in that world.

Textbooks: Hubbard, Glenn R. and Anthony Patrick O’Brien. *Microeconomics*, Pearson Prentice Hall (1st edition)

Grading: Your grade will be based on three exams, graded assignments, quizzes, and participation in a pre – and post test for the course. These components of your grade will be weighted as follows:

*	Three Exams	60%	(20% each)
*	Graded Assignments	20 %	
*	Quizzes	10 %	
*	Time Diary and TUCE	10 %	

Grading Scale:	A:	100-94	C:	76-74
	A-:	93-90	C-:	73-70
	B+:	89-87	D+:	69-67
	B:	86-84	D:	66-64
	B-:	83-80	D-:	63-60
	C+:	79-77	F:	below 60

Exams:

The exams will consist of a combination of multiple choice, short answer, problem solving (graphical and mathematical), and long answer (essay) questions. The exams will be designed to

make sure that (1) you understand basic economic theory and (2) you can apply the theory to situations that arise in the “real world.” For example, I might give you a short passage from a newspaper or magazine article and ask you to evaluate it in the context of what you have learned in this course. Your exam grades will be based on the depth of your knowledge (i.e., the quality and accuracy of the information that you provide) and your presentation (i.e., the clarity with which you present the information). The exams will contain information covered in the reading assignments, class discussions, in-class or take-home assignments, and any other material (such as films) presented in class. If you know that you have a scheduling conflict (family emergency, mandatory school activity, or illness requiring medical intervention) prior to an exam, inform me before the exam date and we will make alternative arrangements. **If you fail to inform me of your absence prior to the exam, I will give you a make-up exam only in extreme circumstances. I reserve the right to determine whether or not the circumstance is “extreme.” An example of an extreme circumstance would be a family death or a health emergency requiring hospitalization.**

Assignments:

I will assign both take-home and in-class assignments, some of which will be collected and graded, during the semester. I will provide answers to any assignments that I do not collect and grade. The homework assignments are designed to provide you with an opportunity to (1) master the concepts and tools presented in class and the assigned readings and (2) apply those concepts and tools to new (but related) material. These assignments will be a useful tool when studying for the exams. In-class assignments are due at the end of the designated time and take-home assignments are due at the beginning of the class on the day on which they are scheduled to be turned in. If you are absent the day that a take-home assignment is due, you must provide appropriate documentation (e.g., note from a doctor or school nurse) to receive full credit for the assignment. While I will accept late take-home assignments (until it is graded, returned, and discussed in class), there will be a 10% penalty for every day (not class period) that it is late. If you miss a class, you **cannot** submit the in-class assignment late. I will drop your lowest homework assignment (take-home or in-class) grade, so this will cover you if you miss one in-class assignment. I encourage you to work on the take-home assignments in groups. You will learn much more from the group interaction than you will if you try to work the assignments by yourself. ***However, you must turn in your own copy (in your own words) of the assignment. Working together is not plagiarism, but turning in an assignment in someone else’s words is plagiarism.***

Quizzes:

A number of quizzes will be given during the session. They will be short (5-6 multiple choice questions) and will be given at the beginning of the class to make sure that you are doing the reading to prepare for class. Your lowest quiz grade will be dropped and your final quiz grade will be based on the percentage of points that you earn out of all remaining available points.

Time Diary:

You will be asked to keep a diary of your time spent preparing for this class, including time spent reading, completing homework, and studying for quizzes and exams. You should track your time and activity on the form provided at the beginning of the semester. You should turn in

the form for the previous week at the beginning of class on Monday. You will receive 5 points (on a 100 point scale) on your final grade for maintaining the diary.

Test of Understanding in College Economics (TUCE):

You will be given the TUCE on the second day of class and the final day of class. The TUCE is a standardized test that is widely used in the economics discipline. Your grade on the TUCE will not have an impact on your grade in the class. I am using it as a measure of assessment for my teaching and the class format. You will receive 5 points (on a 100 point scale) on your final grade for taking the TUCE both times. Since the results are not useful without the pre- and post tests, you will not be given the 5 points unless you take both tests. While your score will not enter into your final grade, I would strongly encourage you to take the test seriously and try to do your best.

Attendance:

While attendance will not directly enter into your final grade, this course is designed as an active (not passive) learning experience for the student. In order to succeed in the class, you must attend on a regular basis. I will answer any questions from the readings, give you problems and exercises that demonstrate the concepts in the readings, show films and conduct classroom experiments, and give quizzes during the class period. If you fail to come to class, you will forego a lot of information and points on your final grade. You can only expect to get as much out of the class as you are willing to put into it. If you miss class due to a required school function or a documented (such as a note from a doctor or school nurse) illness, you will be allowed to turn in the assignment late. If you miss a class, you are still responsible for the material covered in that class.

Blackboard:

Blackboard will be used extensively in this class. Many course related materials (practice problems, answer keys, etc.) will be posted on the course web page in Blackboard. ***You should check the blackboard course page (particularly the discussion board) every day.*** You can reach Blackboard through Manchester College web site (click on *MC Blackboard Courses* under *Current Students* tab) or at <http://blackboard.manchester.edu>. On the course web page, you will find:

1. A copy of the syllabus for the course in case you lose this one;
2. Announcements about the class – reading assignments, quiz and exam dates, changes in office hours etc.; and
3. Homework assignments, answers to homework assignments, practice problems, and other things we might decide to add to it...

Cheating:

Cheating, plagiarism, or any other form of academic dishonesty is not acceptable. These violations are defined in the Manchester College catalog (pages 20-22 in the 2007-2008 edition).

I will not hesitate to prosecute anyone that violates these policies to the fullest extent possible, as outlined in the catalog.

Disabilities:

If you have a disability, please contact Bonnie O'Connell in the Success Center on the second floor of the Union (x5076) to discuss any needed accommodations and legal documentation.

After she has informed me of the needed accommodations, contact me as soon as possible so we can determine the best way to provide for these accommodations.

Tentative exam schedule

Exam 1	March 3 (Monday)
Exam 2	April 14 (Monday)
Final Exam	TBA

Topics, Learning Goals, and Reading Schedule

Readings: Hubbard and O'Brien (HO)
Levitt and Dubner (LD) – on Blackboard
Robert Frank (F) – on Blackboard
Miller, Benjamin, and North (MBN) – on Blackboard

Module One

Topic: Economic Models and Tools of Analysis

Readings: 4, 7, 10-13, and 21-29 (HO)

Learning Goals: the student should be able to:

- (1) calculate the percentage change in a variable over time, the slope of a line, and the area of a triangle (rectangle)
- (2) solve an algebraic equation with one unknown or two algebraic equations with two unknowns
- (3) describe and employ the scientific method
- (4) differentiate between causation and correlation
- (5) differentiate between positive and normative economic analysis

Module Two

Topic: Opportunity Cost and Comparative Advantage

Readings: 34-45 and 235-243 (HO); “Killer Airbags” and “Terrible Trade-Off” (MBN)

Learning Goals: the student should be able to:

- (1) explain the role of scarcity, choice, and opportunity cost in economics
- (2) calculate and apply opportunity cost to resource allocation decisions using a production possibilities framework
- (3) differentiate between absolute and comparative advantage
- (4) use the concept of comparative advantage to analyze the patterns and gains from trade
- (5) explain the factors that determine comparative advantage

Module Three

Topic: Economic Decisionmaking

Readings: 5-6 (HO); “What Do Schoolteachers and Sumo Wrestlers Have in Common?” (LD); “Flying the Friendly Skies” (MBN)

Learning Goals: the student should be able to:

- (1) explain decisionmaking based on the use of marginal analysis

- (2) explain the role of incentives in decisionmaking
- (3) explain the impact of sunk costs on the decisionmaking process

Module Four

Topic: Supply and Demand

Readings: 8-9, 46-53, and 64-87 (HO); “Free Peanuts and Expensive Batteries: Supply and Demand in Action” (F); “Sex, Booze, and Drugs” and “Slave Redemption in Sudan” (MBN)

Learning Goals: the student should be able to:

- (1) differentiate between a command and market economy
- (2) identify the characteristics of a functioning market
- (3) explain the difference between a movement along and a shift in a supply (demand) curve
- (4) explain the factors that will shift a supply or demand curve
- (5) explain how an equilibrium in a market is determined and how surpluses or shortages in a market are eliminated by the movement of prices
- (6) determine the impact of changes in demand, supply, or both on the allocation (price and quantity) in a market

Module Five

Topic: Elasticity

Readings: 166-188 (HO)

Learning Goals: the student should be able to:

- (1) explain the importance of elasticity in economic decisions
- (2) calculate the price elasticity of demand, supply elasticity of demand, cross-price elasticity of demand, and the income elasticity of demand
- (3) explain the determinants of the price elasticity of demand and price elasticity of supply
- (4) explain the relationship between the price elasticity of demand and the total revenue of the firm
- (5) explain the relationship between the cross-price elasticity of demand and the classification of goods (substitute or complement)
- (6) explain the relationship between the income elasticity of demand and the classification of goods (normal, inferior, necessity, luxury)

Module Six

Topics: Price Controls and Taxes

Readings: 99-117 (HO); “Bankrupt Landlords, From Sea to Shining Sea” and “The Effects of the Minimum Wage” (MBN)

Learning Goals: the student should be able to:

- (1) explain the basic concepts of welfare analysis (consumer surplus, producer surplus, total surplus, and deadweight loss) and why economists employ welfare analysis to determine the efficiency in a market
- (2) calculate consumer surplus, producer surplus, total surplus, and deadweight loss
- (3) determine the impact of price controls (price floors and price ceilings) on the allocation and efficiency in a market

- (4) recognize and discuss real-world examples of price controls (rent control, agricultural price supports, minimum wage laws)
- (5) analyze the impact of an excise tax placed on a seller in a market

Module Seven

Topics: Production and Costs

Readings: 314-327 (HO)

Learning Goals: the student should be able to:

- (1) describe, graph, and calculate the measures of productivity and cost
- (2) differentiate between accounting and economic cost
- (3) explain the concept of diminishing marginal productivity and how it relates to the firm's cost of production
- (4) distinguish between variable and fixed inputs (and between the short-run and long-run periods of production)
- (5) explain the concept of returns to scale
- (6) calculate profit

Module Eight

Topic: Market Structure

Topic 8A: Perfect Competition

Readings: 355-374 (HO)

Learning Goals: the student should be able to:

- (1) explain the assumptions that result in a perfectly competitive market
- (2) identify the conditions that must hold for a firm to maximize profits (minimize losses)
- (3) distinguish whether a firm is making an economic profit or loss
- (4) explain the choices facing a firm making an economic loss
- (5) identify the conditions that must hold in long-run equilibrium and the process that results in the stability of that equilibrium

Topic 8B: Imperfect Competition

Readings: 444-45, 414-426, and 388-402 (HO)

Learning Goals: the student should be able to:

- (1) describe the barriers to entry in a monopoly market
- (2) identify the condition that must hold for a monopolistic firm to maximize profits (minimize losses)
- (3) identify and explain the "social cost of a monopoly" and the rationale for the granting of monopoly rights by the government
- (4) compare and contrast firms in a perfectly competitive and monopolistic industry
- (5) describe the characteristics that define a monopolistically competitive industry and their impact on pricing and output decisions
- (6) describe the characteristics that define an oligopolistic industry and their impact on pricing and output decisions
- (7) explain the methods used by firms to differentiate their products

Topic 8C: Labor Markets

Readings: 500-520 (HO)

Learning Goals: the student should be able to:

- (1) describe the factors that determine demand and supply in a labor market
- (2) explain how an equilibrium in the labor market is determined and how surpluses or shortages in the market are eliminated by the movement of wages
- (3) describe the factors that lead to differences in wages between workers and across occupations

Module Nine

Topic: Market Imperfections

Topic 9A: Externalities

Readings: 132-146 (HO)

Learning Goals: the student should be able to:

- (1) explain the concept of externalities and distinguish between positive and negative externalities
- (2) explain why the existence of an externality will lead to an inefficient social allocation
- (3) discuss the possible solutions (private and governmental) to the externality problem

Topic 9B: Public Goods and Common Resources

Readings: 146-155 (HO)

Learning Goals: the student should be able to:

- (1) define the concepts (rivalry vs. nonrivalry in consumption and excludability vs. nonexcludability) and use those concepts to identify the four categories of goods (private, public, common resource, and natural monopoly)
- (2) explain why the existence of public goods leads to a “free rider” problem
- (3) explain why the existence of common resources leads to the “tragedy of the commons”

