

# Economics 110: Introduction to Economic Theory

Wesleyan University, Spring 2015

Professor: Bill Craighead

E-mail: bcraighead@wesleyan.edu

Office: PAC 330

Office hours: Mondays, 4:15-5:30 pm; Tuesdays, 1:00-3:00 pm; and by appointment

Class meets Mondays, Wednesdays and Fridays, 11:00-11:50 am, in PAC 125

**Description:** This course introduces the basic principles of economics, a social science which examines the choices people and societies make in allocating scarce resources. The first part of the course will focus on *microeconomics* - the behavior of consumers and producers as well as markets for particular goods and services. The second part of the course considers *macroeconomics* - the determinants of aggregate economic activity.

**Prerequisites:** Economic theory is expressed in mathematical language. The prerequisite for the course is a two-semester calculus sequence (Math 117 & 118, or 121 & 122), though the second semester may be taken concurrently. Students interested in a less mathematical introduction to economics are advised to consider Econ 101, which covers many of the same topics, but does not require calculus. No prior background in economics is assumed, and it is *not* recommended to take Econ 101 first.

**Readings:** Readings drawn from a variety of sources will illustrate and illuminate economic ideas and their connection with contemporary and historical events. No textbook is assigned for the course; presentation slides will be available through Moodle for reference. A number of chapters from *The Undercover Economist* by Tim Harford will be assigned. *The Instant Economist* by Timothy Taylor will be a useful source of complementary explanatory material.

**Problem Sets:** Problem sets will be assigned on a weekly basis (approximately). Practice working through exercises is an important tool for gaining understanding of economics. Students may work together on the problem sets, but must turn in the assignments individually. Each student's lowest problem set grade will be dropped when grades are calculated; *problem sets will not be accepted late and no extensions will be granted.*

**Examinations and Grading:** There will be three in-class midterm exams and a comprehensive final exam. The exams will include problems and short-answer questions about concepts and ideas from the readings and lectures. The exams are *tentatively* scheduled for Wed. Feb. 18, Wed. Apr. 1 and Wed. Apr. 29. Midterm exams will not be given late; in the event of a serious illness, family emergency or university-sponsored travel, students may ask, in advance, for permission to take exams early or to have weight added to the final exam grade in place of the midterm. In the event of a perceived mistake in grading, a written explanation should be attached to the exam and submitted to Prof. Craighead's mailbox in the Economics Department office within 5 business days after the exams are returned to the class. The final exam is scheduled for Thur. May 14 at 7 pm. Grades will be calculated as a weighted average based on the midterm exams (20% each), the problem sets (10%) and the final exam (30%).

**Disability Accommodations:** Students requiring disability accommodations should request them through disability resources (Dean Patey) at the beginning of the semester.

**Honor:** *Trust and honesty are vital to the functioning of an academic community; adherence to the Honor Code is expected at all times.*

**Electronic Devices:** The use of computers, electronic tablets and cellular phones - *including for text messaging* - is not permitted in class.

*This syllabus and the course outline are subject to modifications, which will be announced in class.*

# Economics 110: Introduction to Economic Theory

Wesleyan University  
Professor: Bill Craighead  
Spring 2015

## Course Outline and Reading List

*Subject to revision; dates are approximate*

“Harford” refers to Tim Harford, *The Undercover Economist* (Random House, 2005)

“Taylor” refers to Timothy Taylor, *The Instant Economist* (Plume, 2012)

|   |                                    |
|---|------------------------------------|
| I. Introduction   | <i>Week 1</i><br><i>Jan. 23</i>    |
| Jorge Luis Borges (1946), “On Exactitude in Science” (Andrew Hurley, Trans.)<br>Taylor, ch. 1   |                                    |
| II. Comparative Advantage   | <i>Week 2</i>                      |
| III. Introduction to Markets  | <i>Jan. 26-30</i>                  |
| Robert Heilbroner (1953), “The Wonderful World of Adam Smith,” ch. 2 of <i>The Worldly Philosophers</i><br>Adam Smith (1776), <i>An Inquiry into the Nature and Causes of the Wealth of Nations</i> , chs. 1 & 2<br>Taylor, ch. 2       |                                    |
| IV. Supply and Demand, pt. 1  | <i>Week 3</i><br><i>Feb. 2-6</i>   |
| Taylor, ch. 3   |                                    |
| V. Supply and Demand, pt. 2   |                                    |
| Derek Thompson (2013), “How Airline Ticket Prices Fell 50% (and Why Nobody Noticed),” <i>Atlantic Monthly</i> , Feb. 28<br>Stephen Breyer (2011), “Airline Deregulation Revisited,” <i>Businessweek</i> , Jan. 20<br>Taylor, chs. 4 & 5 |                                    |
| VI. Consumers   | <i>Week 4</i><br><i>Feb. 9-13</i>  |
| VII. Producers  |                                    |
| VIII. Market Efficiency   | <i>Week 5</i><br><i>Feb. 16-20</i> |
| Friedrich A. Hayek (1945), “The Use of Knowledge in Society,” <i>American Economic Review</i> 35(4): 519-530<br>Harford, ch. 3  | Midterm 1:<br><i>Wed. Feb. 18</i>  |

|  |   |
|--|---|
| IX. Imperfect Competition  | <i>Week 6</i><br><i>Feb. 23-27</i>                                    |
| Harford, ch. 2   |   |
| Taylor, chs. 9 & 10  |   |
| X. Externalities and Public Goods  | <i>Week 7</i><br><i>Mar. 2-6</i>                                      |
| Ronald H. Coase (1960), "The Problem of Social Cost," <i>Journal of Law and Economics</i> 3: 1-44  |   |
| <i>The Economist</i> (2013), "One of the Giants," Sep. 7   |   |
| Harford, ch. 4   |   |
| Taylor, chs. 12 & 14   |   |
| XI. Risk, Uncertainty and Asymmetric Information   |   |
| Harford, ch. 5   |   |
| Taylor, ch. 17   |   |
| XII. Labor Markets, Education and Inequality   | <i>Week 8</i><br><i>Mar. 23-27</i>                                    |
| Milton Friedman (1962), "The Role of Government in Education," ch. 6 of <i>Capitalism and Freedom</i>                                      |   |
| Robert Frank (2001), "Talent and the Winner-Take-All Society," <i>The American Prospect</i> , Dec. 10                                      |   |
| David Autor and David Dorn, "How Technology Wrecks the Middle Class," <i>New York Times</i> , Aug. 25                                      |   |
| Taylor, chs. 6 & 16  |   |
| XIII. Long-Run Economic Growth   | <i>Week 9</i><br><i>Mar. 30 - Apr. 3</i><br>Midterm 2:<br>Wed. Apr. 1 |
| John Maynard Keynes (1930), "Economic Possibilities for Our Grandchildren"   |   |
| Robert Frank (2006), "The More We Make, The Better We Want," <i>New York Times</i> , Mar. 8  |   |
| Tim Harford (2007), "The Shock of the New: What the History of the Dynamo Teaches About the Future of the Computer," <i>Slate</i> , June 9 |   |
| <i>The Economist</i> (2012), "An Incurable Disease," Sep. 29   |   |
| Harford, ch. 8   |   |
| Taylor, ch. 20   |   |
| XIV. Macroeconomic Data  | <i>Week 10</i><br><i>Apr. 6-10</i>                                    |
| David Leonhardt (2006), "Life is Better; It Isn't better. Which is It?" <i>New York Times</i> , Sep 6                                      |   |
| Taylor, chs. 19, 21 & 22   |   |

- XV. Aggregate Supply and Demand Week 11  
Apr. 13-17
- John Cassidy (2011), “The Demand Doctor,” *The New Yorker*, Oct. 10  
Taylor, ch. 24
- XVI. Fiscal Policy Week 12  
Apr. 20-24
- William Greider (1981), “The Education of David Stockman,” *Atlantic Monthly*,  
Dec.  
Robert E. Rubin (2004), *In an Uncertain World*, p. 118-131.  
Taylor, chs. 26-28
- XVII. Monetary Policy Week 13  
Apr. 27 - May 1  
Midterm 3:  
Wed. Apr. 29
- Laurence H. Meyer (2005), “Come With Me to the FOMC,” ch. 2 of *A Term at  
the Fed*  
J. Bradford DeLong (2008), “Republic of the Central Banker,” *The American  
Prospect*, Oct. 27  
Taylor, chs. 25, 29 & 30
- XVIII. The Financial Crisis of 2008 Week 14  
May 4-6
- Paul Krugman (2009), *The Return of Depression Economics and the Crisis of  
2008*, chs. 7-9  
Tyler Cowen (2011), “The Inequality That Matters,” *The American Interest*, Jan.