Economics 110: Introduction to Economic Theory
Wesleyan University, Fall 2014

Professor: Bill Craighead
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   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 Allbritton 103

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. Sep. 24, Wed. Oct. 22 (immediately after fall break) and Wed. Nov. 19. 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 Wed. Dec. 10 at 2 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.
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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

Taylor, ch. 1

II. Comparative Advantage

III. Introduction to Markets

Robert Heilbroner (1953), “The Wonderful World of Adam Smith,” ch. 2 of *The Worldly Philosophers*
Adam Smith (1776), *An Inquiry into the Nature and Causes of the Wealth of Nations*, chs. 1 & 2
Taylor, ch. 2

IV. Supply and Demand, pt. 1

Taylor, ch. 3

V. Supply and Demand, pt. 2

Taylor, chs. 4 & 5

VI. Consumers

VII. Producers

VIII. Market Efficiency

Harford, ch. 3
IX. Imperfect Competition
Harford, ch. 2
Taylor, chs. 9 & 10

X. Externalities and Public Goods
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
Milton Friedman (1962), “The Role of Government in Education,” ch. 6 of *Capitalism and Freedom*
David Autor and David Dorn, “How Technology Wrecks the Middle Class,” *New York Times*, Aug. 25
Taylor, chs. 6 & 16

XIII. Long-Run Economic Growth
Harford, ch. 8
Taylor, ch. 20

XIV. Macroeconomic Data
Taylor, chs. 19, 21 & 22

Week 5
Sep. 29-Oct. 3

Week 6
Oct. 6-10

Week 7
Oct. 13-17

Week 8
Oct. 22-24
Midterm 2: Wed. Oct. 22
XV. Aggregate Supply and Demand

Taylor, ch. 24

XVI. Fiscal Policy

Taylor, chs. 26-28

XVII. Monetary Policy

Laurence H. Meyer (2005), “Come With Me to the FOMC,” ch. 2 of A Term at the Fed
Taylor, chs. 25, 29 & 30

XVIII. The Financial Crisis of 2008


XIX. Open-Economy Macroeconomics

Taylor, chs. 34 & 35