

Eco 1: PRINCIPLES OF ECONOMICS
Spring Semester 2010, Lehigh University

Lectures: Tuesday and Thursday, 7:55-9:10 AM, Rauch Room 184
Tuesday and Thursday, 10:45-Noon, Chandler-Ullmann Room 230
Frank R. Gunter – Associate Professor

Recitations are an integral component of Eco 1.
Attendance at the weekly recitations is mandatory.

Office: Rauch Business Center, Room 470
Hours: Wednesday 2:10 – 5 PM and by appointment
E-mail: frg2@lehigh.edu

Course Description: Economics 1 is a one-semester four-credit course in the principles of economics. General topics covered are: supply and demand; pricing and production decisions of firms; the role of government in the economy; the determination of national income; money and banking; monetary and fiscal policy; and government finance. (SS)

Learning Objectives: Upon completion of this course, students should be able to:

1. Define scarcity, opportunity cost, elasticity of demand and supply, inflation, unemployment, and gross domestic product.
2. Identify a production possibility frontier and use the frontier to demonstrate the potential for growth in an economy and to illustrate the concept of opportunity cost.
3. Illustrate the process by which supply and demand for a product converge to market equilibrium.
4. Analyze price ceilings, price floors and tax burdens using the supply and demand model.
5. Define standard business organizational forms, stocks and bonds, present value and economic profit.
6. Demonstrate with graphs and verbal analysis the essential features of short-run and long-run production costs for firms.
7. Apply the concepts of marginal analysis and opportunity costs to consumer theory and to the profit-maximizing behavior of firms in both competitive and monopolistic markets, and compare competition to monopoly on efficiency grounds.
8. Apply the model of aggregate supply and aggregate demand to make predictions about inflation and real gross domestic product.
9. Understand the necessary conditions for an economy to experience sustained, long-term growth.
10. Explain the money creation process.
11. Explain the mechanics of fiscal and monetary policies, and evaluate how well various policies promote economic growth and stability.

Academic Integrity: Lehigh University expects that all students will act in a manner that reflects personal and intellectual honesty.

Proscribed conduct includes cheating and plagiarism.

Cheating includes but is not limited to:

1. The use of any unauthorized assistance in taking quizzes, tests, or examinations. The possession at any quiz or examination of any articles which are prohibited will be regarded as evidence of responsibility.
2. The dependence upon the aid of sources beyond those authorized by the instructor in writing papers, preparing reports or homework, solving problems, or carrying out other assignments.
3. The acquisition, without permission, of tests or other academic material belonging to a member of the university faculty or staff.
4. Any attempt to falsify an assigned grade in an examination, quiz, report, program, grade book, or any other record or document.
5. The creation and/or submission of falsified data in any experiment, research paper, laboratory assignment, or other assignment.
6. Collusion occurs when students willfully give or receive unauthorized or unacknowledged assistance. Both parties to the collusion are considered responsible.

Plagiarism includes but is not limited to the direct use or paraphrase, of the work, themes or ideas, of another person without full and clear acknowledgement.

Texts:

Hubbard, R.G. and A.P. O'Brien (2009) *Economics, Second Edition*, Upper Saddle River, New Jersey: Pearson Prentice Hall. (Required – Used second edition is acceptable)

Lecture and Quiz Schedule:

Part 1: Introduction

| | | |
|--------------------------|--|---------|
| January 19 th | Economics: Foundations and Models | Chap. 1 |
| January 21 st | Trade-offs and the Market System | Chap. 2 |
| January 26 th | Interaction of Demand and Supply | Chap. 3 |
| January 28 th | Economic Efficiency, Price Setting and Taxes | Chap. 4 |

Part 2: Markets in Action

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| February 2 nd | Market Failure | Chap. 5 |
| February 4 th | Elasticity | Chap. 6 |

Part 3: Comparative Advantage

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| February 9 th | Firms and Personal Investment | Chap. 7 |
| February 11 th | Comparative Advantage | Chap. 8 |

Part 4: Microeconomic Foundations

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| February 16 th | Consumer Choice | Chap. 9 |
| February 18 th | Technology, Production and Costs | Chap. 10 |

February 23rd (Tuesday) First Quiz – Parts 1, 2, 3 and 4

Part 5: Market Structure and Firm Strategy

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| February 25 th | Perfectly Competitive Markets | Chap. 11 |
| March 2 nd | Monopolistic Competition | Chap. 12 |
| March 4 th | Oligopoly | Chap. 13 |

March 8th – 12th Spring Break

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| March 16 th | Monopoly and Pricing Strategy | Chap. 14-15 |
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Part 6: Markets for Factors of Production

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| March 18 th | Markets for Labor and Other Factors | Chap. 16 |
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Part 7: Information

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| March 23 rd | Economics of Information | Chap. 17 |
| March 25 th | Public Choice | Chap. 18 |

Part 8: Macroeconomic Foundations and Long-Run Growth

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| March 30 th | Gross Domestic Product | Chap. 19 |
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April 1st (Thursday) Second Quiz – Parts 5, 6 and 7

Part 8 (cont'd)

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| April 6 th | Unemployment and Inflation | Chap. 20 |
| April 8 th | Economic Growth | Chap. 21 |
| April 13 th | Long-Run Economic Growth | Chap. 22 |

Part 9: Short-Run Fluctuations

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| April 15 th | Output and Expenditure in the Short-Run | Chap. 23 |
| April 20 th | Aggregate Demand and Supply | Chap. 24 |

Part 10: Monetary and Fiscal Policy

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| April 22 nd | Money, Banks and the Federal Reserve | Chap. 25 |
| April 27 th | Monetary and Fiscal Policy | Chap. 26-27 |
| April 29 th | Inflation, Unemployment and the Fed | Chap 28 |

Part 11: The International Economy (This is an important topic but, because of time constraints, it will not be covered.)

May 1st (Saturday) Review/Consultation/Study for Eco 1

TBD Final Exam Cumulative (Parts 1-10)

Homework: Will be assigned almost every Friday. Completed homework must be submitted no later than *noon* on the following Wednesday. Carefully completing assigned homework leads to both better understanding and grades.

Grading System:

First Quiz (Tuesday, February 23rd) 20%

Second Quiz (Thursday, April 1st) 25%

Recitation participation and attendance, homework and curve busters 15%

Final Exam 40%

The Eco 1 Final Exam is cumulative. Half of the questions will be on the same material covered in the two quizzes (Parts 1 - 7) while the other half will be on the material in the last third of the course (Parts 8 – 10).

You are required to take the quizzes and participate in the recitations – ***taking the quizzes and participating in the recitations are not optional***. If you are unable to take a quiz then contact your TA or me as soon as possible. If an excused absence is obtained for a quiz then your final exam will count as both the final and the excused quiz. For example, if you received an excused absence for the first quiz (February 23rd) then your final exam will count for 60% of your course grade. ***There are no make-up exams in Economics I.***

Curve busters are unannounced quizzes that are administered during the lecture hour. At least six curve busters will be given and the lowest two curve busters' scores will not be included in your grade.

“Eco lottery” will be in use this semester.

Important! Do not make your end-of-the-semester airline or other travel reservations until the final exam schedule is published. “I have a non-refundable ticket” is not a valid excuse to miss or reschedule the final exam. Please note that the last day for final exams this semester is May 12th.