

**Eco 1: PRINCIPLES OF ECONOMICS**  
Spring 2007, Lehigh University

Lectures: Tuesday and Thursdays, 7:55-9:10 AM and 10:45 AM-Noon

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Office: Rauch Business Center, Room 470

Hours: Tuesday & Wednesday, 1:30 – 4 PM and by appointment

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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

Cheating. This includes but is not limited to:

1. The use of any unauthorized assistance in taking quizzes, tests, or examinations.
  - i. 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. This includes but is not limited to:

1. 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 (2006) *Economics*, Upper Saddle River, New Jersey: Pearson Prentice Hall. (Required)

MyEconLab (Required) MyEconLab is an online supplement to the Hubbard and O'Brien text. Two purchase options: If you buy a new text in the LU bookstore than MyEconLab is included. Or you can buy MyEconLab by itself at [www.myeconlab.com](http://www.myeconlab.com) for approximately \$40.

## Lecture and Quiz Schedule:

### **Part 1: Introduction**

August 28-30	Economics: Foundations and Models	Chap. 1
September 4-6	Trade-offs, Comparative Advantage, and the Market System	Chap. 2
September 11-13	Interaction of Demand and Supply	Chap. 3
September 18	Economic Efficiency, Government Price Setting, and Taxes	Chap. 4

### **Part 2: Markets in Action**

September 20	Externalities, Environmental Policy, and Public Goods	Chap. 5
September 25	Elasticity	Chap. 6

### **Part 3: Comparative Advantage**

September 27	Firms and Personal Investment	Chap. 7
October 2	Comparative Advantage	Chap. 8

*October 3 (Wednesday) First "4 O'clock" Quiz*

### **Part 4: Microeconomic Foundations**

October 4	Consumer Choice	Chap. 9
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*October 9 Pacing Break – No class*

October 11-16	Technology, Production and Costs	Chap. 10
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### **Part 5: Market Structure and Firm Strategy**

October 18	Perfectly Competitive Markets	Chap. 11
October 23	Monopoly and Pricing Strategy	Chap. 14-15

## **Part 6: Markets for Factors of Production**

October 25	Markets for Labor and Other Factors	Chap. 16
October 30	Opportunities and Pay for College Graduates	

*October 31 (Wednesday) Second "4 O'clock" Quiz*

**Part 7: Information, Taxes and the Distribution of Income** (These are important topics but, because of the time constraint, they will not be covered.)

## **Part 8: Macroeconomic Foundations and Long-Run Growth**

November 1-6	Gross Domestic Product	Chap. 19
November 8	Unemployment and Inflation	Chap. 20
November 13	Economic Growth	Chap. 21
November 15	Long-Run Economic Growth	Chap. 22

## **Part 9: Short-Run Fluctuations**

November 20	Output and Expenditure in the Short-Run	Chap. 23
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*November 22 Thanksgiving – No class*

November 27	Aggregate Demand and Supply	Chap. 24
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## **Part 10: Monetary and Fiscal Policy**

November 29	Money, Banks and the Federal Reserve	Chap. 25&26
December 4	Fiscal Policy	Chap. 27
December 6	Short-term vs Long-term Macroeconomic Policy	Chap. 28

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

December 8	Review/Consultation/Study for Eco 1	
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***TBD Final Exam Cumulative (Parts 1-6 and 8-10)***

### Homework:

Homework from MyEconLab will be assigned almost every Friday. The completed homework must be submitted no later than midnight on the following Wednesday. Carefully completing assigned homework leads to both better understanding and grades. The homework is not graded but failure to submit each completed homework on schedule will cost points from your semester grade.

Grading System:

First 4 O'clock Quiz (Wednesday, October 3rd) 20%

Second 4 O'clock Quiz (Wednesday, October 31st) 25%

Recitation participation and attendance, homework, and curve busters 15%

Final Exam 40%

The Eco 1 Final is cumulative. Half of the questions will be on the same material covered in preparation for the two 4 O'clock quizzes (Parts 1 - 6) while the other half of the questions will be on the material in the last third of the course (Parts 8 – 10).

You are required to take the 4 O'clock quizzes and participate in the recitations – they 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 4 O'clock quiz (October 3rd) then your final will count for 60% of your course grade. ***There are no make-up exams in Economics 1.***

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 December 19<sup>th</sup>.**