

Principles of Economics

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Office Hours: Wednesday and Thursday 1-2.30pm, and by appointment.

Regular Class meetings: Wednesday and Friday (Classroom 20, Cendana)

Description of the course

This course will introduce you to a distinct perspective on the world surrounding us: the perspective of an economist. Economists are mainly concerned with the study of choice: choices made by consumers (buy the latest gizmo or save the money?), firms (how much to produce and what price to charge?) and policy makers (bail out the banks or reduce income tax rates?) are all within the purview of economic analysis. This course is an introduction to the conceptual framework and methods developed by economists in order to examine such choices, both to understand why choices are as they are and what the consequences are if choices were altered. Although this course will have a strong theoretical background, it will be heavily example-driven.

We will begin our study by introducing the foundational concepts of opportunity cost, making decisions at the margin, efficiency and equilibrium. We will then study various topics that can broadly be classified within either microeconomics or macroeconomics. Under microeconomics, we will analyze consumers' and firms' behavior in different market structures. We will then discuss how government policies affect the outcomes in these markets, and explore situations when government policy can alleviate market inefficiencies. Under macroeconomics, we will learn about monetary and fiscal policy and their role in reducing unemployment and inflation. We will examine the ways which international flows of goods and capital affect the economic outcomes in open economies.

Some sessions will be more like discussion sections. That is, will be used to clarify material presented in the lectures, solve problem sets, have students present specific topics, or have group discussions on articles from newspapers and magazines.

Readings

Textbook: N. Gregory Mankiw, *Principles of Economics* 6th Edition, South-Western Cengage Learning

Complimentary: Hubbard O'Brien, *Economics*, 4th edition, Prentice Hall.

It is *recommended* that you buy one of these, but it is not mandatory. There are copies of both in the library. You can also find them in the NUS libraries.

In addition, several newspaper and magazine articles will be assigned periodically.

Grading

You will be graded on the basis of participation during lectures (5%), in-class tests (5%) a presentation (10%), four problem sets (25%), two midterm exams (25%) and a final exam (30%).

Midterms: In order to insure against a “bad exam day”, the best midterm will count twice as much as your worst midterm (i.e. 16.67% vs 8.33%). Also, if the grade of the final exam is worse than the average of the midterms, then the final counts 25% whereas the midterms count 30%.

Midterms will take place on week 6 and week 10 or 11 (specific day to decide depending on assignments you may have in other classes)

Problem Sets: There will be 4 problem sets that will be partially graded. That is, some questions will be graded, whereas the other ones will serve as practice. However, you will be asked to solve the practice questions in class, so I highly recommend that you attempt them too, as this will count towards your participation grade. In order to insure against a “the dog ate my homework day”, only the best three will count towards your grade. *That means that late assignments will not be accepted under any circumstances, unless you have a VR explicitly requesting for a late submission.*

Presentations: Each of you will be asked to make a short presentation (10-12min.) on a specific paper, topic or piece of news along the course. All topics and dates will be decided before the end of week three.

Final: All materials tackled in class in one way or another, including the presentations, will be fair game. Date and venue: April 27, Wednesday, 9am, Classroom 19.

Make up exams and homework extensions: There will be no make up midterm or final exams, neither extensions for problem sets granted on an individual basis. If you believe you are going to miss an exam, and you have a legitimate reason, please let me know in advance. Then you may ask for a rector/vice-rector’s note. A vice-rector note may be accepted for an extension for a problem set, but will not grant a make up under any circumstances – *if you miss a midterm and have a VR note that justifies so, the average for the final will be shifted to account for that.* If there is not VR note, then the grade awarded will be 0.

Code of Conduct

Plagiarism, cheating, submitting another person’s work or previous work of one’s own without the instructor’s permission is a violation of our academic code of conduct. Please read the Student Handbook for more details on what constitutes proper academic integrity and some threats to it.

Tentative weekly Schedule (not that it MAY slightly vary depending on the needs)

| Week and Lecture | | Topic | Readings (Mankiw Book) | Comments |
|-------------------------|----|---|------------------------|----------------------------------|
| 1 Jan 11-15 | 1 | Basic Principles and Economic Methods-I: Incentives, Opportunity cost, Comparative Advantage, Equilibrium, Marginal Analysis | Chapters 1 and 2 | |
| | 2 | Basic Principles and Economic Methods-II: Incentives, Opportunity cost, Comparative Advantage, Equilibrium, Marginal Analysis | Chapters 1 and 2 | Comparative Advantage, Chapter 3 |
| 2 Jan 18-22 | 3 | Basic Principles and Economic Methods-III | Chapter 4 | |
| | 4 | Demand and Supply | Chapter 4 | |
| 3 Jan 25-29 | 5 | Demand and Supply: Elasticity | Chapter 5 | |
| | 6 | Consumers and Producers Surplus | Chapter 7 | |
| 4 Feb 1-5 | 7 | Government policies and their Impact | Chapter 8 | |
| | 8 | Production: Function and Costs | Chapter 13 | |
| 5 Feb 8-12 | 9 | Market Structure: Perfect Competition | Chapter 14 | |
| | 10 | Market Structure: Perfect Competition | | |
| 6 Feb 15-19 | 11 | Market Failure: Externalities and Public Goods | Chapter 10 | |
| | 12 | MIDTERM 1 | | |
| BREAK | | | | |
| 7 Feb 29, March 4 | 13 | Market Structure: Monopoly | Chapter 15 | |
| | 14 | Market Structure: Oligopoly, and Game Theory | Chapter 16 | |
| 8 March 7-11 | 15 | Game Theory | To be assigned | |
| | 16 | Game Theory | To be assigned | |
| 9 March 14-18 | 17 | GAME THEORY + GDP: concept and measurement | Chapter 23 | |
| | 18 | GDP, Money, Inflation and Unemployment, Solow model | Chapter 29 | |
| 10 March 21-25 | 19 | GDP, Money, Inflation and Unemployment, Solow model | | |
| | 20 | GOOD FRIDAY – NO CLASS | Chapter 33-34 | |
| 11 March 28- April 1 | 21 | MIDTERM 2: March 30 | | |
| | 22 | GDP, Money, Inflation and Unemployment, Solow model + Solow, Growth and Institutions | Chapter 31 Chapter 35 | |
| 12 April 4-8 | 23 | Aggregate Demand and Aggregate Supply | Chapters 31-32 | |
| | 24 | International Economics: Open Economies | TBA | |
| 13 April 11-15 | 25 | International Economics: Open Economies | TBA | |
| | 26 | Revision Current debates in Macroeconomics (case study) | | |

Some detailed Book Readings: (all refer to Mankiw, 6th Edition, - International Edition)

The firm: Production and Costs. Chapter 13. It gives a detailed description of the production function and all cost curves of the firm (what they mean, how to represent them). The whole chapter is worth. The essentials are from page 263 to page 271

The firm in a perfectly competitive setting. Chapter 14. Pages 280 – 290 (until Figure 5)

Externalities. Chapter 10. Especially pages 195-204 and 'The Coase Theorem'

Public Goods. Chapter 11

Monopoly: Chapter 15

Oligopoly: Chapter 17