OVERVIEW:

Lucky you. You are about to embark on a yearlong course in micro and macroeconomics that is probably the most important, and certainly the most pervasive, social science in the modern world. Economics seems to touch most things these days and an understanding of it is part of the background for understanding much of what goes on around you. And to further encourage this understanding, economic current events will be a weekly part of the course and will be part of your evaluations.

Not only is economics significant but also you are just going to learn a heck of a lot in this course. We will start with microeconomics that deals with economic problems that you, the individual, faces or your household confronts, or the economic problems that individual business enterprises deal with every day. We will then move to macroeconomics that looks at economic problems in the “aggregate” or in large numbers. This part of the course will help you understand our nation’s economic policy and will introduce you to different economic philosophies. And speaking of philosophy, one of the wonderful things about economics is that we will be able to
talk about a lot of abstract, philosophical issues but use very practical, down-to-earth examples to illustrate them. Economics lends itself to going from the practical to the philosophical, and back again. I don’t know why, but it is a lot of fun.

LECTURE SERIES

There is an extensive Lecture Series by distinguished economists and other experts that is an important supplement to the course. There will often be a short reading as part of preparation to hear these talks and what is stated in them will frequently be the basis for questions on your evaluations. The topics of the talks will usually not be related to what we are doing in class when they are given. Rather the topics are of timeless importance to you—like value investing—or are relevant to issues that are being hotly debated—like immigration. The lecture series is also a wonderful opportunity for you to hear other adult voices in the classroom who are experts in their fields.

FIELD TRIP

We will be taking a Field Trip in the winter quarter to the Board of Trade and the Mercantile Exchange. I am not trying to make you commodities traders but the open outcry system is slipping into history and I want you to be able to tell your grandchildren
that witnessed it. They will think that you are VERY OLD when you tell them that.

**EVALUATIONS:**

**Quizzes and Tests:**

There is no free lunch. David Colander, the author of your text, is fond of saying that one of the things you learn in economics is that there is no such thing as a free lunch. So what are the costs of this course? There is one I can think of—a lot of hard work. This is the sort of course that you have to pay attention to on a daily basis. And, every day in class we will be learning new things that you will have to make an effort to understand and then remember because there will be many little quizzes that ask you to recall what you have learned up until that moment in the course. These quizzes will ask you to recall key graphs, equations, and ideas from both the chapter and the test bank on that chapter. Short answer questions will also be taken from the lectures we have heard from outside speakers and from current events articles we have read. You will also be quizzed closely on the chapters from *Naked Economics*. We will read chapters from that book when they are relevant to what we are doing in Colander.

The good news about having lot of little quizzes is that you will not have a big test
until the middle of January. It will be your final in microeconomics. Because some of the material is difficult, I will only ask you to learn it and recall it in small chunks until then. However, these small chunks must be on permanent tap. And, as the year goes along, as I said, I will ask you, without warning, about material you have learned much earlier in the year. So, there will be constant review of what you have learned.

At the end of the year there will be two big tests: a final in macro economics and the AP exams in both micro and macro. I frankly encourage you to take only one of the AP exams since they are both on the same day. I would also recommend that only those students who have done well in the course AND WHO ARE WILLING TO STUDY FOR THE AP EXAM, sign up to take one or more of the AP exams. Many of who will discover that once you get into college, you are not willing to make such a commitment.

The macro and the micro finals will mirror the format of the AP exam and will be the equivalent of four weekly quizzes when we are calculating your grade. If you get a 4 or a 5 on the AP exam, you will receive an “A” in the course. If you take both AP exams you must average a 4 to receive your “A”.

Oh, and by the way, we are not planning to hold class after the AP exams because most of you will be on May Projects.

Student Participation and Facilitating:
One last piece of the evaluation puzzle is class participation. It will be important. If you just sit there, I reserve the right to lower grade a full letter. Active participation that is constructive, will certainly improve your grade. DISRUPTIVE BEHAVIOR that impedes the smooth running of the class can, again, lower your grade by a full letter. A more formal aspect of class participation will be that the discussion of most of the chapters in Colander will be facilitated by one of you. You will be graded on your ability to lead a discussion and that grade will be worth several quizzes. See the criteria below for facilitating. We will also select an observer to formally comment on the discussion as is done in the Harkness method that is used at Exeter. The seminar tables in the classroom are based on that method though instead of having one large table, six smaller tables have been made to increase the flexibility of the kinds of configurations we can have in the classroom.

**Criteria for evaluating facilitators:**

1. Do you lead the discussion by asking thoughtful questions rather than lecturing students on what is in the reading?
2. Are you capable of answering the questions that you ask and those that the students ask?
3. Do you involve most of the students in the class or just a few bright, eager ones?
4. Are key graphs drawn on the board or screen by you or your peers and are properly labeled?

**Grading of Criteria:**

1. A “C” is a poor lecture.
2. A “B−” is a good lecture.
3. A “B” is good questions but no real command of the material.
4. A “B+” is good questions that you know the answers to, however, you have difficulty answering questions that students raise.
5. An “A−” is good questions with good command of the material but poor board or screen work.
6. An “A” is good questions, good command of the material, and good board or screen work.

**Research Papers:**

During the autumn quarter, we would like you to write a five to six page research paper on a topic a micro topic of your choice. Thus you could write on anything that is related to individuals or firms in the market place. This should be an interpretative paper; it should have a thesis, you should use at least five or six sources, and, of course, you will have plenty of footnotes and a bibliography. It
will be due by Friday, December 7 but it can be handed in earlier.

During the winter quarter we would like you to write a “story” (in Peter Lynch’s use of the term) about a stock that you would like to invest in. Your paper should be a minimum of three pages and a maximum of five excluding appendices. You should begin this paper by writing a paragraph explaining your philosophy of investing. You should then cite the stock you have invested in and explain why you have chosen this stock and this sector at this moment in time. You should have consulted at least three or four sources in making your choice. Those sources should probably include the annual report of the company, Value Line, and perhaps the Morningstar website. I would include some of the material you looked at in the appendices. You should probably answer the following questions in your paper: Why do you want to invest in the company’s product(s)? What is the company’s position in the industry? How financially healthy is the company? What is the management of the company like? How healthy is the company for the long term? How expensive is the stock? These questions should help you write the story of your company that will form the rationale for you buying and selling the stock. You should make every effort to actually invest a small amount of money in the stock of your choice. You don’t have the money? Hey, what are grandparents for
anyway?! The last day that this paper can be handed in is Friday, March 14.

**BOOKS AND NOTEBOOKS:**

One characteristic of most good students is their ability to take good notes and highlight the required reading, bring the proper books to class, and just generally be organized. We want to encourage tendencies in all of you. Therefore, you are expected to bring your textbook and economics notebook to class each day.

The texts you are expected to purchase for this course from the school bookstore are David Colander’s *Economics*, Charles Wheelan’s *Naked Economics*, and David Anderson’s *Cracking the AP Economics Micro and Macro Exams*. The Charles Wheelan book goes over much of what is in Colander without the math or the graphs and in a very readable fashion. One of my former students who is at Harvard recently told me that they use *Naked Economics* in the introductory course. I will also ask you to buy both the micro and macro test banks at the beginning of the year. These will be bought directly from me and will be created by the department secretary.

**TIME TABLE FOR THE YEAR BASED ON COLANDER’S CHAPTERS:**
MICROECONOMICS:

1. The week of September 10:

2. The week of September 17:
   chapter 2: “Trade, Trade-Offs, and Government Policy.”
   Chapter 3: “The Evolving U.S. Economy in Perspective.”

3. The week of October 1:
   chapter 4: “Supply and Demand.”
   Chapter 5: “Using Supply and Demand.”

4. The week of October 8:

5. The week of October 15:
   chapter 7: “Taxation and Government Intervention.”

6. The week of October 22:
   chapter 8: “The Logic of Individual Choice: The Foundation of Supply and Demand.”

7. The week of October 29:
   chapter 9: “Production and Cost Analysis 1”.

8. The week of November 5:
   chapter 10: “Production and Cost Analysis II.”
9. The week of November 12:  
chapter 11: “Perfect Competition.”

10. The week of November 19:  
chapter 12: “Monopoly.”

11. The week of November 26:  
chapter 13: “Monopolistic Competition, Oligopoly, and Strategic Pricing.”

12. The week of November 26:  
chapter 14: “Real-World Competition and Technology.”  
chapter 15: “Antitrust Policy and Regulation.”

13. The week of December 5:  
Chapter 16: “Work and the Labor Market.”  

14. The week of December 12:  
Chapter 18: “Government Policy and Market Failures.”  
Chapter 19: “Politics and Economics: The Case of Agricultural Markets.”

15. The week of January 2:  
chapter 20: “Microeconomic Policy, Economic Reasoning, and Beyond.”  
Chapter 21: “International Trade Policy.”
17. The week of January 7 will be a review week. Your MICRO FINAL WILL BE ON MONDAY, JANUARY 14.

MACROECONOMICS:

1. The week of January 14:

2. The week of January 21:
   chapter 23: “National Income Accounting.”

3. The week of January 28:
   chapter 24: “Growth, Productivity, and the Wealth of Nations.”

4. The week of February 4:
   chapter 25: “Aggregate Demand, Aggregate Supply, and Modern Macroeconomics.”

5. The week of February 11:
   chapter 26: “The Multiplier Model.”

6. The week of February 18:
   chapter 27: “Money, Banking, and the Financial Sector.”

7. The week of February 25:
   chapter 28: “Monetary Policy and the Debate about Macro Policy.”

8. The week of March 3:
   chapter 29: “Inflation and its Relationship to Unemployment and Growth.”
9. The week of March 10:  
Chapter 30: “Aggregate Demand Policy in Perspective.”

10. The week of March 31:  
chapter 31: “Politics, Deficits, and Debt.”

11. The week of April 7:  
chapter 32: “Macro Policies in Developing Countries.”

12. The week of April 14:  
Chapter 33: “International Financial Policy.”

13. The week of April 21:  
chapter 34: “Monetary and Fiscal Policy in a Global Setting.”

A SELECTION OF SOME OF THE KEY CONCEPTS BY CHAPTER IN COLANDER. Make sure you understand these ideas in studying for evaluations on these chapters.

CHAPTER 1: “Economics and Economic Reasoning:”

1. Scarcity
2. Marginal Cost
3. Sunk Cost
4. Economic Decision Rule
5. TANSTAAFL—there is no free lunch
6. Opportunity Cost
7. Invisible Hand
Chapter 2: “Trade, Trade-Offs, and Government Policy:”
1. Production Possibility Table and Curve: what the latter demonstrates, its shape, shifts, and points in, out and on the curve.
2. Comparative Advantage
3. Principle of increasing marginal opportunity cost
4. Productive efficiency
5. Efficiency
6. Externality
7. Public Good
8. Free Rider

Chapter 3: “The Evolving US Economy in Perspective:”
1. Fairness
2. Circular Flow of a Market Economy
3. Factor Market
4. Goods Market
5. Limited Liability
6. Globalization

Chapter 4: “Supply and Demand:”
1. Demand
2. Law of Demand
3. Demand
4. Quantity Demanded
5. Movement along a demand curve and shifts in it
6. Normal goods
7. Inferior goods
8. Substitute
9. Law of Supply
10. Supply curve
11. Supply
12. Quantity Supplied
13. Movement along a supply curve and shifts in the supply curve
14. Equilibrium

Chapter 5: Using Supply and Demand:
1. Sticky Prices
2. Diagram of Shifts of Demand and Supply on Price and Quantity
3. Price Ceilings—Rent Control
4. Price Floor—Minimum Wage Laws
5. Excise Tax
6. Tarriff

Chapter 6: “Describing Supply and Demand Elasticities:”
1. Price Elasticity of Demand and Supply
2. What Price Elasticity Provides
3. Endpoint Problem
4. Elasticities: perfectly elastic, elastic, unit elastic, perfectly inelastic, and inelastic
5. What affects elasticity of demand and supply
6. Income Elasticity of Demand
7. Cross Price Elasticity of Demand

Chapter 7: “Taxation and Government Intervention:”
1. Consumer and Producer Surplus
2. Taxes, their costs, benefits and relative burden
3. Deadweight Loss
Chapter 8: “The Logic of Individual Choice:”
1. Utility, Total and Marginal
2. Principle of Diminishing Marginal Utility
3. Principle of Rational Choice
4. Utility-maximizing rule
5. Bounded Rationality
6. Follow the Leader

Chapter 9: “Production and Cost Analysis:”
1. Production
2. Firm
3. Accounting Profit
4. Economic Profit
5. Difference between and Short-run and Long-run decision
6. Production Table
7. Marginal Product
8. Average Product
9. Production Function
10. Law of Diminishing Marginal Productivity
11. Fixed Costs
12. Variable Costs
13. Average Costs
14. Average Fixed Costs
15. Average Variable Costs
16. Marginal Cost
17. The Relationship between Productivity and Costs
18. The Relationship between Marginal and Average Total Cost

Chapter 10: “Production and Cost Analysis:”
1. Economies of Scale
2. Indivisible Setup Costs
3. Minimum Efficient Level of Production
4. Diseconomies of Scale
5. Envelope Relationship

Chapter 11: “Perfect Competition:”
1. Conditions for Perfect Competition
2. Market Demand Curve and Individual Firm Demand Curve
3. Marginal Cost, Marginal Revenue and Price
4. The Marginal Cost Curve is a Firm’s Supply Curve
5. Determination of Profits by Total Cost and Total Revenue Curves
6. Determining Profits Graphically
7. Shutdown Point
8. Normal Profits

Chapter 12: “Monopoly:”
1. Monopoly
2. Determining the Monopolistic Price and Output Graphically
3. Monopolistic Profit and Loss Graphically
4. The Welfare Loss from Monopoly though not in a Natural Monopoly
5. Barriers to Entry
6. A Natural Monopoly
Chapter 13: “Monopolistic Competition, Oligopoly and Strategic Pricing:"
1. Market Structure
2. Monopolistic Competition and its Characteristics
3. Oligopoly and its Characteristics
4. North American Industry Classification System (NAICS)
5. Concentration Ratio
6. Herfindahl Index
7. Strategic Decision Making
8. No single model of Oligopoly exists
9. Cartel Model
10. Contestable Market Model
11. The Kinked Demand Curve
12. Game Theory
13. Prisoner’s Dilemma
14. Duopoly
15. A Comparison of Various Market Structures

Chapter 14: “Real-World Competition and Technology:"
1. Incentive-Compatible Contract
2. Lazy Monopolist
3. Network Externality

Chapter 15: “Antitrust Policy and Regulation"
1. Antitrust Policy

Chapter 16: “Work and the Labor Market:"
1. Substitution Effect
2. Income Effect
3. Derived Demand
4. Monopsony
5. Downsizing
6. Outsourcing
7. Efficiency Wages
8. Comparable Worth Laws

Chapter 17: “The Distribution of Income:”
1. Lorenz Curve
2. Poverty: Relative and Absolute
3. Poverty Threshold
4. Changes in the Class System
5. Social Security
6. Medicare

Chapter 18: “Government Policy and Market Failures:”
1. Market Failure
2. Negative Externality
3. Positive Externality
4. Sources of Market Failure
5. Pareto Optimal
6. Efficient and Inefficient
7. Tax Incentives
8. Effluent Fees
9. Market Incentive Plan
10. Free Rider Problem
11. Optimal Policy
12. Public Good
13. Adverse Selection Problem
14. Government Failure

Chapter 19: “Politics and Economics: the Case of Agricultural Markets:”
1. The Good/Bad Paradox in Agriculture
2. The General Rule of Political Economy
3. Four Price Support Options and their Consequences

Chapter 20: “Microeconomic Policy: Economic Reasoning and Beyond:”

1. Mainstream Model of Economics
2. The Marxist Model
3. The Public Choice Model
4. The Cost/Benefit Approach to Government Regulation
5. Rationality Problems of the Consumer
6. Government Failure

REVIEW:

Review both for the AP exam and the Macro Final during the weeks of April 17 and 24. You will be given review material that is from the AP conferences that we have been to and materials that have been created by students that have taken this class before you. This material will consist of questions and examples from an old AP exam with rubrics; the actual AP essay questions from 1989 through 2000 with answers created by former students; key graphs and equations in both micro and macro; and micro and macro problem areas on past exams.

FINAL EXAMS:

Monday and Tuesday, January 14 and 15: Micro Final.

Thursday and Friday, May 1 and 2: Macro Final
**AP EXAM:**
Sometime during the week of May 12.

**The Week of September 10**
**The eye opener of the week:**
The chains of love are never so binding as when the links are made of gold.
*Royall Tyler*

**KEY DATE:**
1. During the third class period of next week you will have a QUIZ on the first two chapters in Colander, and the forward, introduction, and first chapter of Charles Wheelan’s *Naked Economics*. You should study carefully your test banks though some questions will devised from the chapters themselves. There will be twenty questions and a short essay on the Wheelan material.

**CLASS ONE:** The course syllabus will be passed out and I will go over key portions of it. In particular I will explain the Exeter Harkness Seminar method that will be used in this class. Note the assignment for tomorrow. Please bring your text to class every day.

**HOMEWORK:** Read pages 4-20 in Colander and the forward and introduction in Wheelan.
CLASS TWO: We will discuss the reading and select a facilitator and observer for tomorrow’s discussion. HOMEWORK: Pages 21-28 in Colander.

CLASS THREE: We will discuss the reading and select a new facilitator and observer for tomorrow’s class. HOMEWORK: Pages 29-51.

CLASS FOUR: We will discuss the reading with a focus on production possibility curve and comparative advantage. A new facilitator and observer will be chosen. HOMEWORK: Read the first chapter in Wheelan and pages 53-59 in Colander.