

Course Manual “Principles of Economics” (SSC 1027)

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Course coordinator and tutor

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Description

The course introduces basic economic ideas and concepts. In the lectures, we start with markets, behaviour on markets, outcomes of markets, and different market forms. Here, we use game theory to analyze situations with strategic interaction (e.g., oligopolistic competition). We then turn to the idea of comparative advantage as an explanation for trade patterns. While the first part of the course mainly covers microeconomic topics, the second part is devoted to macroeconomics. Here, we first consider macroeconomic indicators (e.g., GDP). The last lecture is about economic fluctuations (e.g., the financial crisis) and economic policy. Further topics (e.g., the monetary system) will be covered in the tutorials.

Prerequisites

Standard high school knowledge of basic mathematical concepts such as solving equations, reading and working with graphs, and manipulating inequalities is expected.

Objectives

Get acquainted with basic ideas and concepts to understand economic debates and be prepared for possible further economics courses.

Textbook

Acemoglu, D., D. Laibson, and J.A. List (2015), *Economics*, global edition. Pearson. (ISBN-10 1-292-07920-7, ISBN-13 978-1-292-07920-2)

We follow this textbook very closely. It contains virtually all exam-relevant material and many of our exercises. It is strongly recommended that you have easy access to it. One copy should be in the UCM reading room.

Note: The publisher also offers a book titled “Microeconomics” and one titled “Macroeconomics” by the same authors. As far as I know, our “Economics” book is just these two books combined.

Other standard textbooks

Colander, D.C. (2016), *Economics*, 10th edition. McGraw–Hill.

Krugman, P. and R. Wells (2015), *Economics*, 4th edition. Worth Publishers.

Mankiw, N.G. and M.P. Taylor (2014), *Economics*, 3rd edition. Cengage Learning.

Samuelson, P.A. and W.D. Nordhaus (2009), *Economics*, 19th edition. McGraw–Hill.

A free online textbook: <http://www.core-econ.org>

Note: these textbooks are no substitute for the one above.

Lectures

The lectures are based on our textbook. Ideally, you read the corresponding chapters before the lecture, so that you can follow better and we can help if you have questions.

The schedule of the lectures is as follows:

1	Introduction; Demand, supply, and equilibrium Chapter 4
2	Consumers; Producers Chapters 5.1–5.4; 6.1–6.4 (except 6.3 section “Price Elasticity of Supply”)
3	Perfect competition; Monopoly Chapters 7; 12.1–12.5
4	Game theory; Oligopoly Chapters 13 (except 13.3 section “Zero-Sum Games”); 14.2
5	Trade; Defining and measuring macroeconomic aggregates Chapters 8.1, 8.2; 19 (focus in 19.2 on expenditure approach)
6	Short-run fluctuations; Countercyclical macroeconomic policy Chapters 26 (except 26.2 section “Sources of Fluctuations”); 27.1, 27.3

Depending on how quickly we progress, we might sometimes start at the end of a lecture already with the next one. For example, if in Lecture 4 we are done with game theory and oligopoly after 90 minutes, we might start with trade already in that session.

Tutorials: general information

In the tutorials, we discuss PBL problems and exercises, and have presentations as well as special discussion sessions.

PBL problems: You can find the problems on student portal.

Questions and (non-PBL) problems: These exercises are in our textbook. We will only postdiscuss them. For the first tutorial, for example, Problems 4, 6, and 8 in Chapter 3 need to be solved, and the solutions will be discussed in that tutorial.

Presentations: There are five presentations in the tutorials:

1. Philosophy of Economics
2. Chapter 5.5 (without arc elasticity) and Chapter 5 Appendix
3. Chapter 6.3 “Price Elasticity of Supply”, Chapters 6.5 and 6.6, and Chapter 6 Appendix
4. Akerlof: The Market for Lemons
5. Chapter 25.4

Topics 2, 3 and 5 refer to our textbook. For topic 1 and 4, you can find texts or links to texts on student portal. In the first tutorial, you are asked to form groups of two to three and choose a topic, so ideally you take a look at the topics before that meeting. Each topic is allocated to exactly one group. For each presentation, there are 30 minutes of time including five minutes for questions. All members of a group get the same grade. One or two tutorials before your presentation, you can discuss your plans with me if you like.

The materials for the presentations are exam relevant.

Special discussion sessions: There are two special discussion sessions in the tutorials, for which we have three topics:

1. Defending the 1%
2. Repugnant Transactions
3. Behavioral Economics / Libertarian Paternalism (“Nudging”)

For each topic, there will be texts or links to texts on student portal. In the first tutorial, you are asked to form groups of three to four and choose a topic, so ideally you take a look at the topics before that meeting. Each topic is allocated to exactly one group. Each group is responsible for leading the discussion on its topic. For each topic, there are 50–55 minutes of time. All members of a group get the same grade.

The discussions are to provide a different perspective on some issues. It is expected that all students read the material before the respective session. The format of the discussion should roughly be as follows: first a presentation of the main/relevant arguments and concepts in the readings (10–15 minutes), then a classroom discussion/debate on specific issues that is moderated, stimulated, and steered by you. In the classroom discussion, you could announce issues to be discussed, split the class into a “pro” and a “con” group, give the groups some time (and possibly some material) to prepare, and then start. One of you could act as moderator and the others could join the two groups. The discussion should be lively, interactive, concrete, and exhibit important, informed pro and con arguments. One or two tutorials before your session, you can discuss your plans with me if you like.

The materials for the special discussion sessions are not exam relevant.

Tutorials: schedule

1	Introduction <ul style="list-style-type: none">• Introduction• Allocation of presentation and discussion topics• Problems 4, 6, 8 in Chapter 3• Prediscussion PBL Problem 1
2	On Lecture 1 <ul style="list-style-type: none">• Postdiscussion PBL Problem 1• Questions 1–3, 9 and Problems 3, 7, 9, 13, 14 in Chapter 4 (for Problem 14a: draw the supply and the demand curve and determine their axis intercepts and slope)• Prediscussion PBL Problem 2
3	On Lecture 1; Presentation 1 <ul style="list-style-type: none">• Postdiscussion PBL Problem 2• Prediscussion PBL Problem 3
4	On Lecture 2 Part 1; Presentation 2 <ul style="list-style-type: none">• Questions 2, 4 and Problems 4, 7 in Chapter 5• Postdiscussion PBL Problem 3• Prediscussion PBL Problem 4
5	On Lecture 2 Part 2; Presentation 3 <ul style="list-style-type: none">• Questions 5, 6 and Problems 4, 6 in Chapter 6• Postdiscussion PBL Problem 4• Prediscussion PBL Problem 5
6	On Lecture 3; Presentation 4 <ul style="list-style-type: none">• Postdiscussion PBL Problem 5• Problem 6 in Chapter 7; Questions 8, 9 and Problems 5, 6, 7 in Chapter 12
7	Discussion Session 1 Topics 1 and 2
8	On Lecture 4 <ul style="list-style-type: none">• Exercises game theory (see student portal)• Problems 1 (Astounding is row player), 9, 11 in Chapter 13; Question 7 in Chapter 14• Prediscussion PBL Problem 6
9	Discussion Session 2 Topic 3
10	On Lecture 5 <ul style="list-style-type: none">• Postdiscussion PBL Problem 6• Problems 1, 2, 7 in Chapter 8; Problems 1 (except b), 4, 8 (a only for 2008 and 2009, b only for 2009) in Chapter 19
11	On Chapter 25 “The Monetary System”; Presentation 5 <ul style="list-style-type: none">• Read Chapter 25• Questions 7, 8, 9, 12; Problems 2, 9, 10
12	On Lecture 6 <ul style="list-style-type: none">• Problems 4, 5, 6 in Chapter 26; Questions 13, 14 in Chapter 27

Grading

The course grade depends on the written final exam, the presentation, the special discussion session, and participation in the tutorials. The exam grade counts 60% towards the course grade, the presentation grade and the discussion grade 15% each, and the participation grade 10%.

Exam info: The exam is multiple choice and closed book. You can use a calculator, but only one that is not programmable. Everything from the lectures, tutorials, and readings can be exam relevant, except for the special discussion sessions. You can find old exams on student portal.

Participation grade: In the tutorials, you are expected to have prepared the tasks and to participate in the discussions. For each tutorial, you get an *A*, a *B*, or a *C*. Starting from a participation grade of 10.0, the grade decreases by 0.25 for each *B* and by 0.5 for each *C*. For each student, I will ignore two tutorials (the ones you miss, if any, or the ones with the worst grade otherwise).

The partial grades will be published together with the course grade after the exam.

Attendance requirement

You must attend at least 10 of the 12 tutorial tutorials. If you miss 4 or more tutorials, you automatically fail the course, according to the UCM rules. If you miss exactly 3 tutorials, you can apply for an additional, work intensive assignment to make up for the missed tutorials. You must apply for this assignment at the Office of Student Affairs within 10 working days after completion of the course, using a form where you specify the reasons for your absence (please see the study guide). A copy of the form, accepted and stamped by the Office of Student Affairs, must be submitted before the 10 days deadline into my pigeonhole in room A1.06, School of Business and Economics, Tongersestraat 53.

Eligibility to take resit exam

To be eligible for a resit exam, your course grade with the result of the first sit must be strictly smaller than 5.5 after rounding. Moreover, you must have participated in the first sit or have a valid reason for your absence (e.g., illness with medical certificate; you must usually inform the Examination Committee and me beforehand due to UCM rules). Finally, you must have given your presentation and led your special discussion.