

Course Outline  
SSCECON104 Introduction to Economics  
2019-2(Fall)

October 17, 2019



# SSCECON104 Introduction to Economics

**Classroom:** F18

**Class times:** Mon 13:45-15:45, Thu 8:45-10:45

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**Office hours:** by appointment

## 1 Track Information

**Prerequisites:** none

**This course is a prerequisite for:** all 200- and 300-level courses in economics

For further information about the track, please see the track document available on the UCR Intranet.

## 2 Course Description

Fundamentally, economics is a way of *thinking about the world*. It uses a number of simple but widely applicable principles to understand how people make choices under conditions of scarcity and of the results of those choices for society.

The first part of the course (**weeks 1-8**) focuses on *microeconomics*, a study of individual choices and of group behavior in individual markets. We start with the three major building blocks of microeconomics: the cost-benefit analysis, the model of supply and demand, and the theory of games. We then zoom in on the demand side of the market and explore the basic theory of rational consumer choice. Finally, we examine some real-life applications of rational choice, and introduce the important notion of ‘consumer surplus’.

The second part of the course (**weeks 8-15**) focuses on *macroeconomics*, a study of the performance of national economies and of the policies that governments use to improve economic performance. First, we deal with measurement issues relating to GDP, the price level and the labor market. Then we explore a model of short-run fluctuations (IS-LM) and apply it to the recent U.S. crisis. Finally, we develop a model of medium-run equilibrium (IS-LM-PC) and discuss its implications for the recent European crisis.

## 3 Study Load

This course earns you 4 credits (7.5 EC). We meet twice a week for 2 hours. Preparation is 10 hours a week.

## 4 Course Materials

**Textbook:** Frank, R. H. and Cartwright, E. (2018). *Microeconomics and behaviour. European edition*. McGraw-Hill, 2nd edition

**Textbook:** Blanchard, O. (2017). *Macroeconomics. Global edition*. Pearson, 7th edition

**Textbook Resources:** download slides for [Frank](#) and [Blanchard](#)

**Recommended:** Williams, J. M. (1990). *Style: toward clarity and grace*. University of Chicago Press

## 5 Course Organization and Requirements

The course follows the schedule on page 5. The schedule, for the most part, follows the textbook: each session we cover (a part of) a new chapter.

**Microeconomics (weeks 1-8):** It is not required to read the chapter in advance, unless you find it difficult to follow in class. Most chapters are covered in two sessions: the first session will mainly focus on theory, the second session will mainly focus on applications. After the first session, in which a new chapter is introduced, you are expected to read the chapter carefully and to prepare the textbook exercises. During the second session you can ask questions about issues that you have difficulties with, and we will make additional exercises. You can also indicate which exercises you would certainly like to cover.

**Macroeconomics (weeks 8-15):** Before class you need to read the assigned chapter and to complete scheduled activities on [Moodle](#). The two regular Moodle activities include homework & feedback. I make them available at least 5 days before deadline. The deadline is always 4 a.m. before class. I use completed Moodle activities to identify issues and concepts you find hard. I then use class time to review those concepts, practice applying them, and respond to your questions. **Importantly**, I don't lecture in a sense of presenting large chunks of textbook material. Coverage is determined by your reading, not by in-class lecturing. I do, however, address/explain issues you have difficulty with. Make sure to communicate those via Moodle. Watch [this video \(click\)](#) if you'd like to know more about my teaching approach.

### Rules of engagement:

- We come on time.
- We greet each other.
- We speak English.
- We switch off (not just put on quiet) phones, laptops and other mobile devices before the class starts.
- We do not display or consume food during class or during the exams.
- You participate by asking/answering questions, solving problems and explaining concepts to peers.
- You take notes during class (using pen and paper).

This course is subject to UCR academic rules and procedures. Both students and instructors are required to know and follow these rules and procedures. In particular, class attendance is mandatory. You should inform the instructor before class if you can't attend because of illness or some other urgent reason. A student fails the course if he/she misses more than 6 classes.

## 6 Assessment

The final grade is composed of:

50%	Microeconomics	50%	Macroeconomics
15%	Exam 1	10%	Exam 3
20%	Exam 2	20%	Exam 4
15%	2 Homeworks (at 7.5% each)	5%	Homework
		15%	Paper

## 50% Microeconomics

**Exams 1 & 2** Exams consist of problems that are of the same difficulty as textbook problems. The questions will not only be about the textbook chapters and exercises, but also about possible additional material, the guest lectures and the in-class discussions. Exams are not cumulative, but obviously later chapters of the book are built on earlier chapters. Exam 1 consists of four questions: a question about the theory (essay question), two numerical exercises, and one question consisting of three short questions. Exam 2 consists of five questions: a question about the theory (essay question), two numerical exercises, one question consisting of four short questions, and one question centered around a text that was not discussed in class, most likely a newspaper article. Simple calculators will be provided by the instructor.

**Homework** Two homework assignments must be completed and handed in at the beginning of class (for deadlines see schedule on page 5). The assignments must be handed in as hard copies. The homework assignments will be a mixture of numerical exercises, essay questions and previous exam questions. Answers to numerical exercises should be handwritten; answers to essay questions should be typed.

## 50% Macroeconomics

**Exams 3 & 4** Exam questions are of the same difficulty as homework assignments. Exam 3 is multiple choice. Exam 4 contains both multiple choice and open questions. Please bring a calculator.

**Paper** Guidelines are in appendix B on page 7. Deadlines are in section 7 on page 5. If you miss a deadline, I deduct 5% from your final paper grade per day of delay. If you would like to receive feedback on your draft, hand in a hard copy in class no later than week 13. Submit the final paper both on Moodle and in hard copy to my pigeonhole in Eleanor.

**Homework** Homework assignments may include multiple choice & open questions. I grade multiple choice questions on correctness; you have unlimited attempts to try them. I grade open questions on effort.

**Participation** You participate by attending class and adhering to the rules of engagement above. Participation is not graded but is taken into account in borderline cases. For example, an actively participating student with a final 73.4% may get a *B+*.

## 7 Course Schedule

Week	Date	Topic (chapters refer to our two main textbooks)	Assessment and Assignment
1-1	26-Aug	Frank Ch.1. Thinking Like an Economist	
1-2	29-Aug	Frank Ch.2. Supply and Demand	
2-1	2-Sep	Frank Ch.2. Supply and Demand	
2-2	5-Sep	Frank Ch.3. Game Theory	Homework 1
3-1	9-Sep	Frank Ch.3. Game Theory	
3-2	12-Sep	Frank Ch.4. Rational Consumer Choice	
4-1	16-Sep	Frank Ch.4. Rational Consumer Choice	
4-2	19-Sep	Revision Session	
5-1	23-Sep	Frank Ch.1-4	Exam 1
5-2	26-Sep	Frank Ch.5. Individual and Market Demand	
6-1	30-Sep	Frank Ch.5. Individual and Market Demand	
6-2	3-Oct	Frank Ch.6. Applications of Rational Choice	Homework 2
7-1	7-Oct	Frank Ch.6. Applications of Rational Choice	
7-2	10-Oct	Revision Session	
8-1	21-Oct	Frank Ch.5-6	Exam 2
8-2	24-Oct	Blanchard Ch.2. A Tour of the Book.	
9-1	28-Oct	Blanchard Ch.1. A Tour of the World. Intro to Stata	Moodle Homework: ch02
9-2	31-Oct	No class	
10-1	4-Nov	Blanchard Ch.3. The Goods Market	Moodle Homework: ch03a
10-2	7-Nov	Blanchard Ch.3. The Goods Market	Moodle Homework: ch03b
11-1	11-Nov	Blanchard Ch.4. Financial Markets I	Moodle Homework: ch04
11-2	14-Nov	Blanchard Ch.5. The IS-LM Model	Moodle Homework: ch05
12-1	18-Nov	Blanchard Ch.1-5	Exam 3
12-2	21-Nov	Blanchard Ch.6. Financial Markets II	Moodle Homework: ch06
13-1	25-Nov	Blanchard Ch.7. The Labor Market	Moodle Homework: ch07
13-2	28-Nov	No class	
14-1	2-Dec	Blanchard Ch.8. The Phillips Curve	Moodle Homework: ch08
14-2	5-Dec	Blanchard Ch.9. Putting All Markets Together	Moodle Homework: ch09a
15-1	9-Dec	Revision of Blanchard. MP Game. Course Evaluation	Moodle Homework: ch09b
15-2	12-Dec	Blanchard Ch.1-9	Exam 4; Paper due

## 8 Student Learning Outcomes (SLOs)

A student is able to:

- Weeks 1-4    1. Use algebra, graphs & verbal reasoning to solve textbook problems in microeconomics on:
- (a) cost-benefit analysis
  - (b) model of supply and demand
  - (c) game theory
  - (d) theory of rational consumer choice
- Weeks 5-8    2. Use algebra, graphs & verbal reasoning to solve textbook problems in microeconomics on:
- (a) individual and market demand
  - (b) applications of rational choice
- Weeks 8-11    3. Use algebra, graphs and verbal reasoning to solve textbook problems in macroeconomics on equilibrium in:
- (a) the model of goods market
  - (b) the model of financial markets
  - (c) the IS-LM model
- Weeks 12-15    4. Use algebra, graphs and verbal reasoning to solve textbook problems in macroeconomics on equilibrium in:
- (a) the model of the labor market
  - (b) the IS-LM-PC model
5. Use the textbook model to perform macroeconomic policy experiments:
- (a) expose a model economy to an exogenous shock
  - (b) solve for a (un)constrained equilibrium with one or more equilibrium conditions
  - (c) identify which curves shift and explain why
  - (d) identify which endogenous variables change and explain why
  - (e) relate verbal reasoning to graphical exposition
  - (f) build a unifying causality chain
6. Apply the textbook model to real world data in order to evaluate economic performance of a country:
- (a) collect necessary data from publicly available sources
  - (b) present the evolution of relevant macroeconomic indicators in the form of tables and graphs
  - (c) interpret the evolution of those indicators in terms of the textbook model

# Appendices

## A Data and Stata

For data analysis most economists use statistical software Stata. As an introduction to Stata I recommend:

1. [Back-to-School Video Playlist](#)
2. [Introducing Stata via a sample session](#)
3. [Stata Tutorial, German Rodriguez, Princeton University, USA](#)

You learn most from these resources if you open Stata (installed on all UCR computers) and follow the instructions by typing commands and investigating the output. Further resources for learning Stata are [here](#), of which I find [the first one](#) particularly helpful. If you prefer to print something out I recommend [A Brief Introduction to Stata with 50+ Basic Commands](#). Below I list my favorite free data sources.

Source	Stata	Description
<a href="#">Trading Economics</a>	none	international macro and finance
<a href="#">FRED</a>	ssc install freduse	international macro and finance
<a href="#">Quandl</a>	ssc install quandl	international macro and finance
<a href="#">World Bank</a>	ssc install wbopendata	extensive international econ data
<a href="#">AMECO</a>	none	international macro

## B Paper Guidelines

Throughout the course you will see empirical applications of textbook theory to U.S. data. Replicate 4 of these applications for a country of your choice. Pick your country from the list available on Moodle. Write a 1200-word paper in which you

- present your findings in the form of tables and graphs;
- interpret those findings;
- compare them to those for the U.S.;
- evaluate whether textbook theory fits both countries equally well and conjecture why;
- support your conjectures with references to relevant literature.

In class I will elaborate on where to find macroeconomic data and how to make graphs in Stata. You can find links to data sources and resources on Stata in appendix [A](#).

### Paper Grading Rubric

1. Does the paper follow assignment?
2. Is the empirical analysis complete and correct?
3. Are all steps properly documented (e.g. data source, variable definitions, etc.)?

4. Do you support your conjectures with references to literature?
5. Do you follow the principles of clear, cohesive and coherent writing? On clear writing, I recommend [Chapters 1-6](#) of Williams (1990) (with a useful summary of those chapters on p. 109). On why I recommend them, see [this review](#). Short of reading Williams (1990), see six principles of clear, cohesive and coherent writing on page 12 of [A Guide to Writing in Economics](#).
6. Are formal aspects OK? For example, title page, reference style, table layout, etc.

C-papers get a confident “yes” on criteria 1-2. B-papers get a confident “yes” on criteria 1-4. A-papers get a confident “yes” on all criteria. The best papers exceed expectations.

## **Empirical applications you need to replicate with some relevant references**

### **Looking for Evidence of the Great Moderation**

[The FRED Blog](#)  
[Federal Reserve History](#)

### **Estimating the Marginal Propensity to Consume**

Figure A3-2 in Appendix 3 in Blanchard (2017, p.A-13)

### **Graphing the Phillips curve**

Figures 8-2 and 8-4 in Blanchard (2017, p.181-183)

Phillips, A. W. (1958). The Relation Between Unemployment and the Rate of Change of Money Wage Rates in the United Kingdom, 1861-1957. *Economica*, 25(100):283–299

Samuelson, P. A. and Solow, R. M. (1960). Analytical Aspects of Anti-Inflation Policy. *The American Economic Review*, 50:177–194

### **Graphing the Okun’s Law**

Figure 1 in Blanchard (2017, p.200)

Okun, A. M. (1962). Potential GNP: Its Measurement and Significance. *Cowles Foundation Paper*, 190

BALL, L., LEIGH, D., and LOUNGANI, P. (2017). Okun’s Law: Fit at 50? *Journal of Money, Credit and Banking*, 49(7):1413–1441