Instructor: Dr. Lori Leachman  
Email: lori.leachman@duke.edu  
Phone: 660-6894  
Office and office hours: 329F, SS; M 9-10am, W 10-11am, 3-4pm

During class I will not be allowing the use of personal technology in the classroom!
If you have a special exception due to learning issues see me directly at the start of term.

Teaching Assistants:  
TA: Ming Yi, MY22@duke.edu, office Soc Sci 325A, office hours- Sunday 12-2  
TA: Pei-Chuan Ho, pei.chuan.ho@duke.edu, office hours Sunday 10-12 in my office, 329F  

Text: any Economic Principles text. The syllabus is outlined from Parkin’s Economics 11th ed., Pearson/Addison Wesley publishers. For the best price use the peer to peer network or go on Amazon. For whatever book you buy map the topics on the syllabus into the chapters of your book.  
The Wall Street Journal Where Does the Money Go? Bittle and Johnson, 2011 edition (can be ordered on Amazon.com)

Readings listed below that are drawn from outside sources are available on Sakai at http://Sakai.duke.edu.

Course Objective: This course provides an introduction to economics concepts and issues. It will introduce the student to the terminology and methodology of the economist and use the concepts and tools to explore a variety of topics that are of concern to economists and policy makers. Specifically, we will be interested in the relationship between the production function, output and various cost curves, how prices are determined, the incidence of taxation, how the entire economy operates and the role of government in fostering an environment in which prices are stable, unemployment is low and the economy is growing. We will relate these last 3 objectives to the business cycle, macro-policy initiatives and, where appropriate, to various economic models and biases. We will also explore the basis of and benefits from trade and the determination of the exchange rate. The entire course is built around the development and usage of demand and supply analysis in order to address a variety of issues that are important to economists, policy makers and the average citizen. Guiding my development of the course in both structure and content is the over-arching goal of enabling a student who successfully completes the course to be able to read a newspaper and understand the basics of the economic debate and dilemma under discussion. To further this end, this
In the semester you will find video vignettes on the Sakai site listed by topic. In the syllabus below you will find vignettes that you are responsible for watching and listening to OUTSIDE OF CLASS by the given date. With the class time that is liberated we will do in class applications of material that are related to the topics under study.

Weekly lunches with members of the class will be held on Wednesdays at 11:45 in the West Union Bldg. Students may sign up through the Sakai course site under the “Course Meetings.” We can accommodate up to 5 students at each lunch. Space is reserved on a first signed up, first served basis. We will meet at the NorthEast entrance on Abele Residence Quad in the lobby in front of Farmfresh. Duke will be covering the cost of your lunch but you will need to touch base with me first. If you have a conflict with this time and would like to dine with me in an informal way or simply chat for a bit please try flunching me. After I poll the class on the first day I may change the regular lunch to a different day if that is what the class indicates would work better. Our first lunch will be Jan. 18.

Class meets from 1:25-2:40 on MW and FRIDAY in Room Soc Sci 139

All exams will be returned outside of class at a designated time and place (typically evenings in rm 327 SS) based on alphabet.

**Grading:** three regular exams 29% each plus 8% on homework (see below) plus 5% for your total Quiz score for ALL of the video vignettes (sum of all points earned divided by the total points for a % score).

Optional Final-if we GRADE the final, we COUNT it! I will drop the lowest grade and count the final in its place. You have the option of sitting for the final and not having it graded- you can trash it if you do not think you are doing as well as you need!

If you miss an exam you automatically must take the final as NO make up exams will be offered! If you miss more than 1 exam you will take a 0 on the additional exams missed that exceed 1.

**Quizzes:** on your syllabus you will see under each section that you have some video vignettes listed that you are responsible for watching outside of class and by the date indicated. From the start of term until the due date you will be able to access quizzes on each vignette on the Sakai site under tests and quizzes. The first 7 quizzes will close out Friday Jan 27 in order to give those who go through drop add an opportunity to complete them. After that pls check the due dates to make sure you do not miss any. You can take these quizzes as many times as you like and Sakai will automatically take your highest score and send it to the grade book. **Note: on the MC questions there may be more than 1 right answer. Choose all that are correct.** Once you have earned 100% on a quiz if you continue to play around with the quiz and score lower, Sakai will take that score and send it to the grade book **(and I will not change it back)!** Each correct answer in the quizzes is worth 1pt. At the end of term we will take a simple total of points earned
and divide it by the total quiz points for a % grade which will be worth 5% of the final grade. There is no makeup option for missed quizzes (except the book report assignment below) so work ahead if you know you have other commitments around the due date. There are 125 questions and 210 total correct answers.

**Homework:** The homework is comprised of questions and problem sets designed to illuminate the important concepts being discussed in class and **PREPARE YOU FOR THE EXAM.** The homeworks are due on the due date at the START of class. Once the homework deadline is passed there is NO ability to make up the missed work, so work ahead if you think you have a conflict. For each assignment we will check the work to ensure that you have attempted the assignment- however, we will NOT grade them for correctness. **You will earn 100% for 1% of your final grade for each homework that is turned in completed.** This amounts to 8% of your total grade.

**Optional 2 page report** (you can do either part for 1 pt each or both for the full 2pts) based on *Where Does the Money Go?* 2011 edition, directly to Dr. Leachman by **Friday, April 7.** For that report you need to cover a number of things outlined below:

1. 1 page (no more- single spaced, min 11pt font) summary of the key information in the book.
2. The 2nd page (single spaced, min 11pt font) will focus on an analysis of the impact of Donald’s Trump’s plans regarding tax reform and spending priorities. Specifically, you will need to briefly outline what they are, and what are their anticipated impacts on growth, interest rates, private investment, and US fiscal sustainability. You MUST cite your sources (on a separate page).

**You can use this assignment to earn up to an additional 2%=2pts added to your final grade or as the make up for a missed HW or quiz.**

Ajay Desai is the HW grader and will be conducting regular homework help sessions-the schedule can be found on the front page of this syllabus. Location TBA.

The Graduate TAs will be scheduling out of class reviews of the graded exams. Those dates will posted as we get the exams graded.

**Students who are found to be cheating or facilitating cheating are in violation of the Duke Honor Code and will automatically fail the course.**

**Course Outline (11th edition, Parkin Economics)**

**Wed Jan 11- course info and rules**

1.) **Introduction; Chapter 1 and appendix; F,W Jan 13, 18**
   - What is Economics? The issue of scarcity and choice
   - Economic thinking: efficiency, rationality, opportunity costs, marginal decisions
   - Macroeconomics vrs microeconomics; relevant components
   - Information, risk and leverage (Chapt.20 optional)
Self Interest vrs Social interests
Appendix to Ch. 1 - graphing, not optional

Video Vignettes:
#1- Market Structures- 19.31 mins- F Jan 27
#6- Economic Assumptions- 12.02 mins- F Jan 27
#3- Economic Philosophies- 12.54 mins- F Jan 27

Class Discussion # 1 – Economic Philosophies, Risk and Uncertainty; property rights, F Jan 20

HW 1 due F Jan 20

2.) Chapters 3, 6 (pp127-132) MW Jan 23, 25
Demand, law of demand
Supply, law of supply
Equilibrium- adjustment to and changes in
Price ceilings and floors (Chapt. 6)
• “In Hard Times Spam makes a Comeback” TimesDigest 11/15/08
• What Price is Right?
• Don’t Like the Price, Wait a Minute

Videos:
#13-Demand Curve, Law of Demand- 7:58 mins- F Jan 27
#16- Supply, Law of Supply- 3:27 mins- F Jan 27
#19-Price Ceilings and Floors- 15:37 mins- F Jan 27

HW 2 due F Jan 27

3.) Chapters 10 & 11; FMW Jan 27, 30, Feb 1
Organization of the firm, stocks vrs bonds
Economic vrs. Accounting profit.
The production function
Total product curve
Marginal product and average product
The Law of Diminishing Returns
Relationship between output and cost
Total cost, marginal cost, average cost
Longrun vrs shortrun cost
Labor Demand (Chapter 18)

• Factory Fresh (a survey), the Economist, 6/1/16
• The Great Divergence, the Economist 11/12/16

Video:
#7- Accounting vrs. Economic Profit, LR vrs Sr, 12.14 mins – M Jan 30
4.) Chapter 12 & 14; FMW Feb 3, 6, 8
Equilibrium in a perfectly competitive setting
Comparisons to monopolistic competition
Role of entry, exit
Dynamic changes

Oligopoly Market:
- “Rising Beer Prices Hint at Oligopoly” NYT 8/27/09
- “Beer Makers Plan More Price Boosts” WSJ 8/26/09
- “Heineken to Raise Prices, Trim Costs” WSJ 8/27/09
- A Global Antitrust Grilling, WSJ 9/17/15

Video:
#11- Firm and industry Supply- 2.13 mins- M Feb 6

5.) Chapter 18 (pp417-426); F Feb 10
Labor Demand

HW 3 due M Feb 13

Class Discussion #2 - the case of GM and Ford, M Feb 13

EXAM 1- W Feb 15

6.) Chapters 2 (up to pg 40), 21, 22, 26; FMW Feb. 17, 20, 22
The production function (PF)
inputs vrs outputs
the production possibilities curve (PPC) and illustrations of opportunity costs
marginal decisions
specialization
efficiency
goals of government, measurement and their relation to the PPC and the business cycle; full employment, price stability, economic growth, optimal external balance
GDP Accounting
- Unregulated, Untaxed, Unloved, the Economist, 10/15/16

7.) Chapter 4, 6 (pp133-141); F Feb 24
price elasticity
cross price elasticity
income elasticity
tax incidence (Chapt 6)
theories of taxation/tax structure
- “You Picked the Price, but who Gained? NYT
- “San Francisco: the Butts Stop Here”
• Tax Revenue? It’s a Roll of the Dice, NTY July 16, 06
• Colorado Expects to Reap Tax Bonanza…, NYT 2/20/14
• Swaying the Debate on How We Pay Taxes, NYT 11/24/15

Videos:
#22- Principles of Taxation- 14:16mins- F Feb 24

Class discussion # 3- GDP mismeasurement, etc , M Feb 27

HW 4 due M Feb 27

8.) Chapter 26; note that the exchange rate analysis used in the text is E/qty of home currency while I will be teaching exchange rate analysis with e/qty of foreign currency. W Mar 1, MWF Mar 6, 8, 10
Exchange Rate Theory
Fixed vrs. Floating exchange rate regimes
Purchasing Power Parity
Interest Rate Parity
Unholy Trinity of Exchange Rate Systems
Balance of Payments Crisis
Application to China

• Two Out of Three Ain’t Bad, the Economist 8/27/16
• The Mighty Dollar, the Economist, 12/3/16
• A Harder Call, the Economist 12/3/16

Videos:
#25- Balance Sheet of the Fed- 4:09mins- F Mar 3

Discussion #4: Elliot Wolf- valuation, theory of the firm, LR vrs. SR, Friday Mar 3

9.) Chapter 2, pp 40-43, 7 to pg 164; MW Mar 20, 22
Trade Theory- absolute vrs. Comparative advantage
Autarkic prices
Patterns of trade
Range of terms of trade
Importance of being unimportant
Tariffs and quotas (if time allows)
• The Piecemaker, the Economist, 11/12/16
• The Dragon and the Eagle- a survey, the Economist, Oct. 2004
• Why Trade, nobelprize.org
• Wage War, the Economist 8/27/16
• Free Exchange: the problematic proposal, the Economist, 8/13/16
• The Oil Effect, the Economist 11/29/16
10.) Chapter 27; FM Mar 24, 27
   AD/AS model- the Classical model
   AS – Classical, Keynesian and Intermediate range or LR and SR AS/AD
   AD – wealth, interest rate and foreign price effects
   Equilibrium
   Classical vrs Keynesian debate and relationship to AS/AD
   Assumptions and implications of each

   Videos:
   #43- Business Cycle, Goals of government, Discretionary Policy-12:21mins- M Mar 27

11.) Chapter 29, M Mar 27
   The Business cycle
   Relationship of BC to AS/AD equilibrium
   Economic Goals- full employment, price stability, economic growth, optimal external balance
   Real Business Cycle Theory
   Supply Side Economics
   Stagflation, cost push and demand pull inflation
   - Economic Ups and Downs…, Tregarthen

   Videos:
   #45- Demand Pull and Cost Push Inflation/ Stagflation- 5.32mins- M Mar 27

Discussion #5– Exchange Rate, Venezuela, Argentina, Greece- W Mar 29

EXAM 2- F Mar 31 (many students feel the exchange rate material is the hardest material in the course).

Book Report – Where Does the Money Go?- due Friday April 7

12.) Chapters 25, 24 & 31; MW Ap 3, 5
   the nature of money (chap 25)- is the Bitcoin money?
   Bonds pricing and interest rates.
   Investment demand
   Bond pricing and interest rates
   Money creation
   The Federal Reserve (chap 31)
   Tools of monetary policy and implementation (chap 31)
The loanable funds market (Chapt 24)
Money demand and supply

- Negative Creep, the Economist, 2/6/16
- The Cashless Society Meets the Loose-Change Economy, NYT, 4/2/14
- Checks are Expendable, but in legal Tender We Trust, NYT, 4/2/14
- To Instill Love of Bitcoin, Backers Works to Make It Safe, NYT, 4/2/14; IRS Says that Bitcoin is Property…NYT
- Tap to Pay (Not so much in the US), NYT, 4/2/14

Videos:
#47- The Functions of money, monetary systems- 5:33mins- M Ap. 3
#48- Federal Reserve Functions- 9:17mins- M Ap. 3
#51- Fractional Reserves- 6:58min- W Ap 5
#55-Summary Tools of the Fed, FF rate, QE- 10:19min- W Ap 5
#78- Liquidity Preference- F Ap 7

HW 6 due F April 7

13.) Chapters 28,30; F Ap 7, MW Ap 10, 12
Total spending- the Keynesian framework
The consumption function
Multipliers
Fiscal Policy tools (chapt 30)
Taxation
Keynesian Equilibriums
Crowding In and Crowding Out
Derivation of Aggregate Demand
- Fiscal Multipliers- Where does the buck stop, The Economist, 8/13/16

Videos:
#63- Adjustment when in Disequilibrium – 4:25min- M Ap 10
#61 - Keynesian Cross with Lump Sum taxes- 9:38min- M Ap. 10
#62- Mathematics of Manipulation to Achieve Target…- 13:24min- W Ap 12

14.) Chapters 29 pp 711-712, 30 & 31; FM April 14, 17
Aggregate supply
Monetary vrs fiscal policy
Classical vrs Keynesian debate
Short run vrs. long run equilbriums
- Keynes and the Classical Economists: the early debate on policy activism.

HW 7 due W Ap 19
Discussion #6 - the Deficit, the Debt, entitlements, you fix the budget/Where does the Money Go? –W April 19

EXAM 3- F April 21

15.) Chapter 23 and lecture; MW April 24, 26
   Growth and development
   The Solow growth model (lecture)
   Macro-policy and growth
   Trade and growth
   • Allocation, Distribution and Scale; towards an economics that is efficient, just and sustainable. H. Daly, *Ecological Economics*, 1992.
   • Birth Rates as Growth Engines, WSJ 4/15/13

HW 8 due W Apr 26
Wed Apr 26 last day of class
FINAL (optional) – see exam schedule