

Duke University Department of Economics
Economics 101
ECONOMIC PRINCIPLES

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Office Hours: Tuesday and Thursday, 1:00 – 3:00 pm and by appointment.

Office hours and contact information for all TAs will be posted in the Course Information folder on the course website.

Course Description: This course introduces you to the basic methods and models of economics. Economics includes the study of how people, firms, and even governments use their (usually limited or scarce) resources to achieve their goals. One of the most interesting uses of economics is to design government policy, and we will focus on economic policy a great deal in this course.

This course has two main goals. The first goal is to help you learn to think systematically about economic issues and questions. We will do this by learning some fundamental models such as the supply and demand model, and applying these models to different situations. The second goal is to acquaint students with economic issues—both the main questions in economics, and also the main questions or problems in society that economists are asked to address. It turns out that economists are also pretty good at addressing questions that nobody asked them to, and that is frankly a lot of the fun of being an economist.

Texts and Software:

There is no required textbook. If you would like to get a text, I recommend Economics, 12th Edition, by W. Parkin, Pearson-Addison-Wesley. The 7th – 11th editions are also acceptable.

This course will follow a flipped-classroom, team-based learning approach. Much of the material for the course will be presented in videos that will be posted in Sakai, and can be found on the Warpwire tab within the course's Sakai site. Please use Chrome as your browser when you watch the videos.

Required Newspaper: *Wall Street Journal*. We will use a lot of information from this paper, and it's a good idea to get in the habit of reading some paper or magazine focused on economic and financial issues, if you want to have a career that uses economics. You should be able to obtain a costless digital-only subscription by going to [wsj.com/activateschool](https://www.wsj.com/activateschool) and setting up your account. On the other hand, if you would prefer a print edition in addition to the digital one, you may obtain a 15-week subscription in digital plus print for a very low price using this link: <https://r.wsj.com/PROFug50>

Software: A spreadsheet such as Excel is a very useful piece of software to use to think about economics and business. You should start to learn how to use a spreadsheet, and some of the problem sets in the course will help you do this by requiring you to use a spreadsheet.

We will also use Sakai to deliver most course materials: <https://sakai.duke.edu>. Please look in the Resources folder first—most things will be there.

Requirements:

This course will meet 3 times per week, MWF 11:45 – 1:00 pm.

There will not be official discussion sections, though there will be weekly sections that will cover specific problems on problem sets. Attendance to these is voluntary. The TAs will hold office hours each week, with the purpose of answering your questions about the lectures and giving help on the problem sets.

The graded work in the course will consist of problem set assignments, “personal responsibility” quizzes, participation, and timed, in-class exams.

Problem Sets: The purpose of the problem sets is to give you some practice with the concepts and models that we will be covering in the course. Doing the problem sets will be your best preparation for the exams. There will be both graded problem sets and ungraded (practice) problem sets, to give you many opportunities to practice. Hint: make a copy of your answers before you turn them in so that you can compare your answers right away.

Problem sets will generally (but not always) be due on Mondays, at the start of class. If you miss the deadline to submit a problem set, you MAY NOT make it up, under any circumstance.

I will give you detailed instructions about how to format and hand in your problem sets—the instructions are there to help ensure that your problem sets can be graded fairly, recorded accurately, and returned to you quickly. If you don't follow the instructions, you will lose some of the points on the problem set.

I encourage you to work in groups on your problem sets, but each student must hand in their own copy of the problem set.

Problem Sets will be graded for completeness.

“Personal Responsibility” Quizzes: You will generally need to read several Wall Street Journal articles to prepare for each class. To help you maintain your incentive to read these articles, there will be a brief quiz over them at the start of class each day that articles are required. The quizzes will be given online in Sakai (click the Tests and Quizzes tab), so you need to have an electronic device with you that will enable you to work the quiz.

You will have a total of 20 minutes to do each quiz, and this time limit will begin 5 minutes before class begins and end 15 minutes after class starts. There will only be 3 multiple choice questions over some very basic information in the articles, so they should not be terribly taxing if you have read the articles. Still, you should have the articles either saved in your device or printed out to help you on the quizzes.

If you miss a quiz, you may not make it up, but you may effectively miss 3 quizzes before it affects your quiz grade.

Participation: You will have required, team-based participation for two (consecutive) class sessions during the semester. During nearly every class meeting, six teams will be randomly selected and the teams will have primary responsibility for answering the questions I ask about the readings for that class session. The teams will have to present their answers to the rest of the class and I will award 0-5 points to each team member when their team presents an answer, based on the accuracy and quality of the answer. Every student will receive a minimum opportunity to participate on a team and earn points.

Exams: There will be 3 exams in this course. The exams are your chance to show independently that you understand and can use the concepts and models studied in this course. **The first two exams are midterms and will be worth 200 points each. The third exam will be a comprehensive final exam and will be worth 400 points.**

Satisfactory/Unsatisfactory Grading Criteria

This course is being graded on a Satisfactory/Unsatisfactory scale. Technically, to earn a final mark of Satisfactory, a student must earn the equivalent of at least a C-minus letter grade.

Most of your grade will be determined by your exam scores. You will receive numerical scores for exams and all other required work, and at the end of the semester I will assign final marks based on your total points. I will use information about the overall distribution of scores, and individual performance on specific parts of each exam, to determine what the minimum standards are for achieving a final grade of Satisfactory. I use multiple sources of information in order to enable as many students as possible to demonstrate sufficient mastery of the course materials and earn a Satisfactory mark.

I am confident that if you do the required work for the course (the Problem Sets, Personal Responsibility Quizzes, and Class Participation), you should be able to earn a Satisfactory mark. Therefore, I will treat the Problem Sets, Personal Responsibility Quizzes, and Class Participation scores in roughly the same way that some courses treat their labs: **if you do not earn minimum scores on the Problem Sets, Personal Responsibility Quizzes and Class Participation, you will not earn a mark of Satisfactory, regardless of your exam scores.**

Exam Schedule

The following dates are reserved for midterm exams: **23 September and 23 October.**

The final exam will be on **Friday, December 13, at 2 pm.**

Late Work and Missed Exam Policy

Late problem sets will not be accepted. Missed problem sets may not be made up.

Because of the size of the class, no makeup midterm exams will be given. If you miss a midterm and obtain a University excuse for having done so, you may shift the weight of the missed midterm onto the other exams. If you miss more than one midterm for any reason, you will have to have a special conference with me and your academic dean to determine whether you should continue in the course. And be advised: my position will be to have you withdraw from the course in such a circumstance.

Statute of Limitations

If you miss a midterm, you have up to 48 hours after the midterm exam to contact me in some way to let me know that you have or will be bringing me a University excuse for the absence from the exam. If you do not meet this deadline, you will automatically receive a 0 on the exam missed.

You have one week from the date the exam is officially handed back (midnight of the seventh day following the day the exam was handed back) in which to petition to have the grading on all or part of your midterm exam reconsidered. After that deadline, no petitions for reconsideration will be accepted.

Petitions to reconsider scores on first two midterm exams

If you believe that your score on an exam was incorrect or that you should receive more credit for your work, you must submit this petition in writing to the Head Graduate TA for the course by the statute of limitations deadline. **Please note that there will be no re-grading for the final exam.**

In your petition, you must describe specifically and carefully why you believe that your answer deserves more credit than it has been awarded. If there has been a simple addition mistake when your score was calculated, all you need to write on your petition is “Mistake in adding up the total score.”

Append your petition to the original copy of your exam answers and submit it to the Head TA. The Head TA will make a ruling on the petition and notify both you and me of the status of the petition. I will accept appeal petitions only—you must petition the Head TA first, and after your petition has been reviewed by the Head TA and returned to you, you have the option to appeal to me. You must write an additional appeal petition, appended to the exam plus original petition, that

explains exactly why you believe that the Head TA's ruling was not appropriate. You have 48 hours after you have been notified (by email) that the petition is ready to be picked up in order to submit your appeal.

Please note: The entire exam may be regraded if it is submitted for reconsideration, even on appeal.

Note on Course Meetings:

This course is scheduled to meet three times per week for 75 minutes, rather than 50 minutes. This is to accommodate a commitment I have that requires me to be out of town during part of the semester. Because the course meets three times per week for 75 minutes, we will significantly exceed the minimum required contact hours for a full-credit Duke course.

Note on Improving the Course:

Like many other instructors at Duke, I frequently conduct research and evaluation to improve my teaching methods. In this course, I may use new teaching methods, and various aspects of student performance may be analyzed by my colleagues and me. I may carry out these types of activities on an ongoing basis for instructional evaluation. However, I will ask for your permission before using any of your information related to this course for research purposes.

If you have any questions at any time, please contact Peggy Morrell (morrell@duke.edu).

Duke University's Academic Honor Code: The Duke Community Standard



THE DUKE COMMUNITY STANDARD



Duke University is a community dedicated to scholarship, leadership, and service and to the principles of honesty, fairness, respect, and accountability. Citizens of this community commit to reflect upon and uphold these principles in all academic and nonacademic endeavors, and to protect and promote a culture of integrity. The Duke Community Standard was developed and codified by students, and serves as the campus honor code for actions in and out of the classroom.

To uphold the Duke Community Standard:

- I will not lie, cheat, or steal in my academic endeavors;
- I will conduct myself honorably in all my endeavors; and
- I will act if the Standard is compromised.

For more information about the **history** of the Duke Community Standard, please visit integrity.duke.edu/ugrad/.

For a full list of university **policies**, please reference the “Duke Community Standard in Practice” at

<https://studentaffairs.duke.edu/conduct/about-us/duke-community-standard>.

NOTES ON INTEGRITY WITHIN THIS COURSE

Collaboration on Problem Sets is permitted and encouraged in this course. Nonetheless, students are required to hand in their own copies of completed problem sets.

Re-Grade Requests: The procedure for regrade requests is outlined above. Please note that your exam answers may be copied before your exam is returned.

When in doubt, ask: If you are ever confused about what collaboration or outside resources are permitted on any assignment or exercise, ask the instructor for clarification.

To this standard, I add the following comments:

- **Any kind of conduct that shows lack of academic integrity, or lack of respect for others' rights to learn and be graded fairly, is a Code violation.**
- **Any attempt to gain an unfair advantage over fellow students on any graded exercise is a Code violation.** If you are unsure about the use of any form of aid, ask me about it before you use it.
- **The most serious type of academic dishonesty is handing in someone else's work and claiming that it is your own.** This includes collaborating, *even with a student who is not in this course or section*, on any graded work that is supposed to be done independently. Please note that I permit and encourage you to work in groups on your problem sets. All exams are to be done independently. If I do not specify, you are to assume that you must work independently.

I believe that you are honest. Nevertheless, if I see evidence of any breach of academic integrity, I will confront it according to the procedures described in the Bulletin of Duke University.

Broad Outline of the Course

We begin by learning to use the Production Possibilities Frontier model, which is a model that can be used to understand many different choices that individuals, businesses, and even entire societies (and their policymakers) make.

Then we move on to microeconomics, which is the study of individual markets. We'll spend a lot of time on how businesses make their production and supply decisions, which is also called the Theory of the Firm. Because of time limitations, we'll give a much briefer treatment to consumer choice theory.

Then we'll put the two sides of the market together and use the Supply and Demand model in both the short run and the long run. We'll spend a lot of time applying this model to different industries and situations, including many types of government interventions in markets.

After the first midterm exam, we'll turn to macroeconomics, which is the analysis of the aggregated markets that make up the overall economy. We'll spend some time on measurement issues first, since these turn out to be quite important.

We'll develop the Aggregate Supply-Aggregate Demand model, which will be our main tool of macro analysis, and spend a lot of time understanding how to use this model to think about economic policy in the overall economy. We'll learn about many of the big controversies in macroeconomics regarding the best policies to choose to keep the economy stable and growing.

In the final part of the course, we'll add an international dimension to both the macro and micro models that we've studied. We'll start by learning about the Balance of Payments and analyze how trade in goods, services and assets affects the overall economy. We'll pay special attention to the market for foreign currency and analyze how exchange rates interact with the economy and economic policy.

Finally, we'll end by studying international trade in specific goods and services. This is a good way to review many of the microeconomic ideas that we covered in the first part of the semester.

A more specific guide to the topics covered follows below.

Schedule of Topics Covered and Assignment Due Dates

| Date | Day of Week | Topics Covered | Assignment |
|---------------|--------------------|--|---|
| 26-Aug | M | *Course Logistics *Introduction to Economics *The Tools of Economics | Parkin, Chapter 1 Ch. 1 Appendix on Graphing |
| 28-Aug | W | *The Production Possibilities Frontier (PPF) Model | Parkin, Chapter 2 |
| 30-Aug | F | *More Applications of the PPF Model | |
| 2-Sep | M | *Introduction to Microeconomics *What Businesses Do *Efficiency, Production, and Profits | Problem Set 1 Due Parkin, Chapter 10 |
| 4-Sep | W | *Cost Functions and the Supply Curve *What Affects the Supply of a Product? | Parkin, Chapter 11 Parkin, Chapter 12 through "The Firm's Output Decision" |
| 6-Sep | F | *The Demand Side of the Market *Calculating and Using Elasticity | Parkin, Chapters 8 and 9 Parkin, Chapter 4 |
| 9-Sep | M | *The Supply and Demand Model in the Short Run *Applying the Supply and Demand Model | Problem Set 2 Due Parkin, Chapter 12 "Output Price and Profit in the Short Run" Parkin, Chapter 3 |

| Date | Day of Week | Topics Covered | Assignment |
|---------------|--------------------|---|--|
| 11-Sep | W | *A Supply and Demand Model of Banking | |
| 13-Sep | F | *Government Interventions in Markets *The Social Impact of Government Intervention | Parkin, Chapters 5 and 6 |
| 16-Sep | M | *How Taxes Affect Markets | Problem Set 3 Due |
| 18-Sep | W | *Market Supply in the Long Run *Long Run Competitive Equilibrium | Parkin, Chapter 12 (Remainder of Chapter) |
| 20-Sep | F | Review for Exam 1 | |
| 23-Sep | M | Exam 1 | |
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| 25-Sep | W | *Growth Rate Math *Introduction to the Macroeconomy *Introduction to the Aggregate Goods Market | Parkin, Chapters 21-22 Parkin, Chapter 23 through "Long Term Growth Trends" |
| 27 Sep | F | *Introduction to the Aggregate Labor Market *Introduction to the Aggregate Financial Market | Parkin, Chapter 18 Parkin, Chapter 23, "Why Labor Productivity Grows" Parkin, Chapter 24, "Financial Institutions and Markets" |

| Date | Day of Week | Topics Covered | Assignment |
|---------------|-------------|--|---|
| | | *Introduction to the Aggregate Supply-Aggregate Demand Model | |
| 30 Sep | M | *Aggregate Supply and Demand Curves *Equilibrium in the Aggregate Supply-Aggregate Demand Model | Parkin, Chapter 27 Parkin, Chapter 23, “How Potential GDP Grows” |
| 2 Oct | W | *Applying the Aggregate Supply-Aggregate Demand Model | |
| 4-Oct | F | *The Multiplier Effect | Parkin, Chapter 28 |
| 9-Oct | W | *Fiscal Policy | Parkin, Chapter 30 Problem Set 4 Due |
| 11-Oct | F | *Arguments Against Fiscal Policy Effectiveness *Supply Side Economics | Parkin, Chapter 24 |
| 14-Oct | M | *Introduction to Money and Monetary Policy | Problem Set 5 Due Parkin, Chapter 25 |
| 16-Oct | W | *A Bank-Based Model of Monetary Policy *How Monetary Policy Affects the Economy | Parkin, Chapter 31 |
| 18-Oct | F | *Causes of Inflation *The Phillips Curve and Monetary Policy | Parkin, Chapter 25 Parkin, Chapter 29 |
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| 21-Oct | M | Review for Exam 2 | Problem Set 6 Due |

| Date | Day of Week | Topics Covered | Assignment |
|-------------------------------|----------------------|---|--|
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| 23-Oct | W | Exam 2 | |
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| 25-Oct | F | *Introduction to International Economics *International Macroeconomics | Parkin, Chapter 26 |
| 28-Oct | M | *Exchange Rates and Markets for Foreign Currency | |
| 30-Oct | W | *Exchange Rates and the Macroeconomy *Exchange Rate Policies | |
| 4-Nov 15-Nov | M F | Guest Lectures from Duke Economists | |
| 18-Nov | M | *Comparative Advantage and Trade | Problem Set 7 Due Parkin, Chapter 2 "Gains From Trade" |
| 20-Nov | W | *Tariffs and Quotas | Parkin, Chapter 7 |
| 25-Nov | M | Economic Troubles in Europe | |
| 2-Dec | M | Review 1 (Micro) for Final Exam | Problem Set 8 Due |
| 4-Dec | W | Review 2 (Macro) for Final Exam | |
| 13-Dec | F | Final Exam, 2pm | |
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