Econ 101: Principles of Economics  
Duke University  
Spring 2020

Instructor: Dr. Lori Leachman  
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Phone: 660-6894  
Office and office hours: 329F, SS; M 9-10am, 3-4pm, W 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: Muhammad.awan@duke.edu - Usaid  
- TA: jp429@duke.edu - Joon Yup

**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, the implications of tariffs, 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 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 Faculty Commons on the 3rd floor.
Duke will cover the cost of your lunch. 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. 15.

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

**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.

This semester grading in Econ 101 will be on the basis of S/U
(Satisfactory/Unsatisfactory). That grade will be determined from your numerical
grade calculated as indicated above. However, to earn the S you MUST make a
numerical grade of C- or better! The grading scheme means that your Econ 101
grade will not be counted in your GPA in any way.

**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 6 quizzes will close out
Friday Jan 24 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. I **will not accept** online copies of the HW that you simply print out off the Web, so don’t turn them in for credit.

**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 3.** 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 the 2018 tax reform. Specifically, you will need to briefly outline what changes occurred to the tax code, and what are their anticipated impacts on growth, interest rates, private investment, income distribution, 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.

XXX 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. Exams will be returned in the evenings in rm 327, SS. You will need the ID of a mate to retrieve their exam for them.

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

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

**Wed Jan 8- course info and rules**

1. **Introduction:** Chapter 1 and appendix; F., M Jan 10,13
   - 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
Conservatives vrs liberals
Appendix to Ch. 1- graphing, not optional

Video Vignettes:
#1- Market Structures- 19.31 mins- F Jan 24
#6- Economic Assumptions- 12.02 mins- F Jan 24
#3- Economic Philosophies- 12.54mins- F Jan 24

Class Discussion # 1 – Economic Philosophies, Risk and Uncertainty; property rights, F Jan 17

- The Stock Market is Shrinking, That’s a problem for Everyone…, NYT 8/4/18
- Are Superstar Firms Reshaping the Economy?, NYT 8/25/18
- How Consumers can Resist companies’ Market Power, NYT 7/20/18
- From Trump to Trade, the Financial Crisis Still Resonates, NYT 9/10/18
- The World today Brought to You by the Financial Crisis, NYT 9/14/18
- The Recovery Threw the Middle Class Under the Benz, NYT 9/12/18
- Free Exchange: a matter of concentration, The Economist, 10/27/18

HW 1 due F Jan 17

2.) Chapters 3, 4, 6 (pp127-132) W,W, F Jan 15, 22, 24 (off Jan 20)
   Demand, law of demand
   Supply, law of supply
   Equilibrium- adjustment to and changes in
   Price ceilings and floors (Chapt. 6)
   Elasticity- price, income, cross price
   “In Hard Times Spam makes a Comeback” TimesDigest 11/15/08
   What Price is Right?
   Don’t Like the Price, Wait a Minute
   Pinot or Pot, Economist, 10/13/18.
   Where does Victoria’s Secret Stand?, NYT 11/17/18
   Cut Price Economics, the Economist 8/10/19

Videos:
#13-Demand Curve, Law of Demand- 7:58mins- F Jan 24
#16- Supply, Law of Supply- 3:27mins- F Jan 24
#19-Price Ceilings and Floors- 15:37mins- F Jan 24

HW 2 due F Jan 24

3.) Chapters 10 & 11; F, M, W Jan 24, 27, 29
   Organization of the firm, stocks vrs bonds
   Bond pricing and interest rates
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)

- The Economic impact of Marijuna Legalization: Colorado
- Factory Fresh (a survey), the Economist, 6/1/16
- The Great Divergence, the Economist 11/12/16
- Deep Freeze, the Economist, 8/17/19
- In Search of a Jelly Mold, “ “, 8/25/18
- Choosing Plan B, “ “, 8/11/18
- Health Care Profits, “ “, 3/17/18

Video:
#7- Accounting vrs. Economic Profit, LR vrs Sr, 12.14 mins – M Jan 27

4.) Chapter 12 & 14; F, M, W Jan 31, Feb 3, 5
Equilibrium in a perfectly competitive setting
Comparisons to monopolistic competition, oligopoly, monopoly
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
- Amazon’s Antitrust Antagonist has a Breakthrough Idea, NYT 9/7/18
- Consider the Lobster Roll, the Economist, 9/7/19
- FreeExchange: Road Hogs, “ “, 7/9/19

Video:
#11- Firm and industry Supply- 2.13 mins- M Feb 3

5.) Chapter 18 (pp417-426); F Feb 7
Labor Demand
- PBS Newshour- The Future of work, Dec 3-7

HW 3 due F Feb 7
Class Discussion #2 - the case of GM and Ford, M Feb. 10

EXAM 1- W Feb 12

6.) Chapters 2 (up to pg 40), 21, 22, 26; FMW Feb. 14, 17, 19
   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
   - *The Half Life of a Currency*, The Economist, 9/15/18, p 79
   - *As Debt Rises, the government will Spend More on Interest than on the Military*, NYT, 9/25/18

7.) Chapter 6 (pp133-141); F Feb 21
   tax incidence
   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
   - As Debt Rises, the Government Will Spend More on Interest than on the Military, NYT 9/25/18
   - Social Security Runs Short of Money…, NYT 11/28/18
   - Amgen Slashes Price of Promising Cholesterol Drug, NYT 10/26/18
   - State and Local Taxes are Worsening Inequality, NYT 7/20/19
   - How to Tax our Way Back to justice, NYT 10/11/19
   - How Big companies Won New Tax Breaks From the Trump Admin, NYT 12/30/19
   - Tax Breaks For children…, NYT 12/30/19

Videos:
#22- Principles of Taxation- 14:16mins- F Feb 21
Class discussion # 3- GDP mismeasurement, etc , M Feb 24

HW 4 due M Feb 24

8.) Chapter 26; note that the exchange rate analysis used in the text is \( E = \text{foreign price of home currency} \) while I will be teaching exchange rate analysis with \( e = \text{domestic price of foreign currency} \). FWF Feb 21, 26, 28, WF Mar 4, 6

Exchange Rate Theory
Fixed vs. 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
- *Into the Woods*, the Economist, 8/17/16

Videos:
#25- Balance Sheet of the Fed- 4:09mins- F Feb 28

Discussion 4: Elliot Wolf- the Firm, Automation, the changing nature of agriculture, Monday Mar2

9.) Chapter 2, pp 40-43, 7 to pg 164; MW Mar 16,18

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
- *Why Tariffs and Trade Disputes are More Than a Money Problem*, NYT 9/21/18
- *Consumers Will Increasingly Feel Pain From Trump’s Trade War. Here’s Why*, NYT 9/21/18
- *Why Tariffs and Trade Disputes are more than a Money Problem*, NYT, 9/18/18
- Surprising Truths About Trade Deficits. NYT 10/7/18
- Consumers will Increasingly Feel Pain From Trump’s Trade War, NYT 9/19/18
• What Trump’s Aggressive Trade Tactics Have Achieved, NYT 10/7/19
• Why Tariffs and Trade Disputes are More Than a Money Problem, NYT 9/24/18
• Export or Stagnate, the Economist, 7/1/19
• The Bonds that Tie, the Economist, 7/1/19

Videos:
#37- Trade Mercantilism- 5:21mins- M Mar 16

HW 5 due F Mar 20

10.) Chapter 27; FW Mar 20, 25
   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
      • Are You Ready for the Financial Crisis of 2019?, NYT 12/11/18

Videos:
#43- Business Cycle, Goals of government, Discretionary Policy-12:21mins- F Mar 20

Discussion #5– Exchange Rate, Venezuela, Argentina, Greece- M Mar 23

11.) Chapter 29, W Mar 25
    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
       • A Recession Hasn’t Arrived (Yet). Here’s What to Look for, NYT 12/12/19

Videos:
#45- Demand Pull and Cost Push Inflation/ Stagflation- 5.32mins- W Mar 25

EXAM 2- F Mar 27 (many students feel the exchange rate material is the hardest material in the course).

Book Report – Where Does the Money Go? Et al, due Friday April 3
Chapters 25, 24 & 31; MW Mar 30, Ap. 1
the nature of money (chap 25)- is the Bitcoin money?
Investment demand
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

- 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…NTY
- Tap to Pay (Not so much in the US), NYT, 4/2/14
- Reform the Supreme Court, The Economist, 9/15/18, pp17-18
- Replacing LIBOR- the Price of Everything, Economist, 9/29/18, pp67-68.
- Negative Creep, Economist, 2/6/16
- Chasing the Rainbow- Cryptocurrencies survey, Economist, 9/1/18, pp 1-12
- You look like a million Bolivares, the Economist 7/14/18
- Interest Rates Are rising for the Right Reasons, NYT 10/11/18
- Sweden’s Push to Get Rid of Cash, NYT 11/21/18
- First Come, First Served, the Economist, 7/13/19
- The Worthy Idea behind Facebook’s Libra, WSJ, 6/27/19
- Proceed With Caution, the Economist, 3/17/18

Videos:
#47- The Functions of money, monetary systems- 5:33mins- M Mar 30
#48- Federal Reserve Functions- 9:17mins- M Mar 30
#51- Fractional Reserves- 6:58min- W Ap 1
#55-Summary Tools of the Fed, FF rate, QE- 10:19min- W Ap 1
#78- Liquidity Preference- F Ap 3

HW 6 due F April 3

Chapters 28,30; F Ap 3, MW Ap 6, 8
Total spending- the Keynesian framework
The consumption function
Multipliers
Fiscal Policy tools (chap 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
• Japan Plans to Spend $120 Billion…., NYT 12/5/19
• Why was Trump’s Tax Cut a Fizzle?, NYT 11/16/18
• No,Trump’s Tax Cut Isn’t Paying for Itself, NYT 10/17/18

Videos:
#63- Adjustment when in Disequilibrium – 4:25min- M Ap 6
#61 - Keynesian Cross with Lump Sum taxes- 9:38min- M Ap. 6
#62- Mathematics of Manipulation to Achieve Target…. 13:24min- W Ap 8

14.) Chapters 29 pp 711-712, 30 & 31; FM April 10, 13
Aggregate supply
Monetary vrs fiscal policy
Classical vrs Keynesian debate
Short run vrs. long run equilibriums
• Keynes and the Classical Economists: the early debate on policy activism.
• You Know Who the Tax Cuts Helped. The Rich, NYT 8/12/18
• The Recovery that Threw the Middle Class Dream Under the Benz, NYT, 9/12/18
• How the Trump Tax Cut is Helping to Push the Federal Deficit to $1 Tril., NYT 7/25/18
• The Next Recession; how Bad will it Be?- a survey, Economist 10/13/18, pp 1-12
• Parting Gifts (ECB), the Economist, 9/7/19

HW 7 due W Ap 15

Discussion #6- only if time permits - the Deficit, the Debt, entitlements, you fix the budget/Where does the Money Go? –W April 15

EXAM 3- F April 17

15.) Chapter 23 and lecture; MW April 20, 22
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
• Demography: Not So Fast, Economist, 9/22/18, p 12.

HW 8 due W Apr 22
Wed Apr 22 last day of class
FINAL (optional) – see exam schedule