ECONOMICS 1000
Introduction to Economics
Spring 2002

Professor: Billy Mertens
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Office Hours: T. 10:45-11:45, 2:45-3:45, 5-6; TH. 10:45-11:45; (W. 9-10 by appt. only)

Course Description:
This is a one-semester course in the Principles of Economics. It is designed primarily for students who take only one course in economics during their college study. However, the course should provide a good foundation for those who wish to take advanced courses. This course introduces you to the "economic way of thinking". The central fact that underlies economics is the fact of "scarcity". By this it is meant that our wants exceed the goods freely available from nature -- hence choices must be made among the many things we want. This leads to the fundamental economic questions, narrowly defined, which face all societies: What to produce? How to produce? And for whom to produce? But economics really is much broader in scope than this; it is really the study of wise decision-making in all areas of life.

The topics covered in this course can be divided into four main categories: Basic Economic Questions and Supply and Demand; Basic Microeconomics: Consumer Choice, Production and Costs, and Competition; Basic Macroeconomics: Fiscal Policy and Monetary Policy; and Open-Economy Economics: International trade. After a brief introduction to the economic way of thinking, we will study supply and demand. Supply and demand analysis provides us with a graphical way of understanding how the price and quantity of a good will change when factors such as income, population, and input costs change.

After finishing supply and demand we will discuss the derivation of supply and demand. Specifically, we will examine how a demand curve is derived from consumer decisions about how to allocate their budget between various goods. We will also examine the underlying issues behind supply by explaining how a firm decides how much to produce. We will develop this in the context of several different market settings. Here we will also focus on causes of market failure, examining public goods, and externalities.

The third part of the course deals with questions of macroeconomics: How do we measure a nation's income? How do we know when individual prices are going both up and down if there has been an increase in the "cost of living"? Why is the rate of growth in national income so variable among countries? What is "money" and how is it created? What are the causes and costs of inflation? What role does international trade play in the macroeconomic conditions of a country? Why do we have "business cycles"? Are there policies that might reduce the "roller-coaster" nature of fluctuations in the economy's growth rate? What are the controversies about such policies?

Finally, we will look at how international trade and commercial policy affect the economy.

Assignments:
You will be given problem sets that will be instrumental in your preparation for exams. I will cover all necessary material to complete these problem sets and prepare for exams in class. I will post some summary notes on the course website, but these notes and the book are meant to complement what you learn in class – they are not substitutes for lecture materials!

Grading:
Midterm Exam One 22.5%
Midterm Exam Two 22.5%
Midterm Exam Three 22.5%
Final Exam 22.5%
Recitation 10%

Recitation:
Your TAs will give the recitation grade. They may be based on problem sets quizzes and/or other assignments that your TAs think may be useful. The TAs will explain their grading policy more thoroughly in recitation. They will be discussed and possibly collected in recitation. Many exam questions will be similar to questions on the problem sets.

Exams:
There will be three midterm exams and one final exam. Exams are not cumulative, but the material does build on itself so it is important to understand all of the concepts as we go.
Tests will consist of multiple-choice questions and some longer problems. No makeup exams will be given. If you miss an exam, you will receive a zero unless you are ill and can provide proof (e.g. a letter from the student health center). In the event that you miss an exam due to illness, the weight of your final exam will be increased. You may take exams early if you have a good reason and arrange it with me well in advance.

Grading Scale:

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<th>Your score</th>
<th>Grade</th>
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Additional Note: You cannot get credit for both Economics 1000 and Economics 2010/2020.

Tentative Exam Schedule:
Midterm Exam One: Thursday, February 7th
Midterm Exam Two: Thursday, March 7th
Midterm Exam Three: Tuesday, April 9th
Final Exam: Monday, May 6th