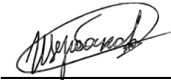


Higher School of Economics 2018

Утверждена Академическим советом
образовательной программы
«5» сентября 2018 г., № протокола_1

Академический руководитель
образовательной программы

Д.А. Щербаков



Introduction to Economics

Part 1: Course Information

Instructor Information

Instructor: Ivan Deseatnicov
Office: To be announced
Office Hours: To be announced
E-mail: To be announced

Course Description

No Pre-requisites required. Anyone who interested in basic economics is always welcome. Introduction to Economics is a foundation for the application of economics knowledge for other related subject in the course.

It is an introductory course in microeconomics and macroeconomics, which introduces the basic concepts of economics. Microeconomics (Introduction to Economics I) discusses applications-the study of how individuals make a decision and interact in markets, under conditions of perfect and imperfect competition. The study of macroeconomics (Introduction to Economics II) involves economy-wide issues such as inflation, unemployment, economic growth and policies.

Prerequisites

Critical thinking and the use of models to solve problems is emphasized. Mathematics for Economics and Business and Introduction to Economics I are formal prerequisites for students wishing to enroll in Introduction to Economics II.

Learning Outcomes

At the completion of this course students are expected to be able to:

- understand important terminology and think as an economist based on logics of economics and
- understand basic instruments of studying economics such as understanding graphs, basic mathematic tools, and statistics.

Textbook & Course Materials

Required Text

G. Mankiw, *Principles of Economics*, South Western, 7th Edition, 2013.

REFERENES (SUGGESTED TEXTS)

- Economics, Daron Acemoglu/David Laibson/John A.List, Pearson, 2016. ISBN 10: 1-292-07920-7

- Articles & Videos from various sources

All necessary materials (lecture PPT files, a list of Textbook problems, sample multiple choice questions, related articles, and related videos) will be distributed during the course.

Teaching & Learning Strategies

| | |
|---------------------|--|
| Lectures | <p>Lectures provide a weekly direction and structure to the subject. They highlight the more important issues in the textbook, and provide both supplementary and reinforcement material as appropriate. The purpose of the lecture is not to summarize the book but to illustrate key ideas and concepts.</p> <p>We will also solve problems during the lectures time to develop problem solving skills and especially develop students' abilities to apply the relevant theory and equations.</p> <p>In order to benefits from the lectures you are expected to read the relevant readings and chapters in the textbook before coming to class.</p> <p>You are also expected to work through the problems that will be assigned to you after each class.</p> |
| Computer Laboratory | N/A |
| TIMETABLED | 28*2*2 hour Lectures |

| | |
|---------------------------|---|
| STUDY | (two lectures per week*14week excluding midterm and final exam weeks) 4*2 hour Midterm & Final Exams |
| INDEPENDENT STUDY | 4-8 hours per week |
| TOTAL EXPECTED STUDY LOAD | 8-12 hours per week |

Content

The content is structured into 28 weekly lecture covering the following topics:

Introduction to Economics I

- Interdependence and the Gains from Trade
- Market Forces of Supply and Demand
- Supply, Demand and Government Policies
- Consumers, Producers and the Efficiency of Markets
- Theory of Consumer Choice
- Costs of Production
- Firms in Competitive Markets
- Monopoly
- Monopolistic Competition
- Oligopoly
- Markets for the Factors of Production
- Externalities
- Public Goods and Common Resources

Introduction to Economics II

- Nation’s income
- Inflation
- Production and growth
- Financial system
- Monetary system
- Short-run economic fluctuations
- Monetary and fiscal policy
- Unemployment
- Inflation
- Open Economy

LECTURE/SEMINAR/HOMEWORK HOURS

| NO | Topic | Contact hours | | | Home work | Hours total |
|----|-----------------------------|---------------|----------|-------|-----------|-------------|
| | | Lectures | Seminars | Total | | |
| | Introduction to Economics I | | | | | |

| | | | | | | |
|----|---|-----------|----------|-----------|-----------|------------|
| 1 | Introduction of the course | 4 | | 4 | 4 | 8 |
| 2 | Interdependence and the Gains from Trade / The Market Forces of Supply and Demand | 4 | | 4 | 4 | 8 |
| 3 | The Market Forces of Supply and Demand / Elasticity and its Application | 4 | | 4 | 4 | 8 |
| 4 | Supply, Demand and Government Policies | 4 | | 4 | 4 | 8 |
| 5 | Consumers, Producers and the Efficiency of Markets | 4 | | 4 | 2 | 6 |
| 6 | The Theory of Consumer Choice | 4 | | 4 | 2 | 6 |
| 7 | The Theory of Consumer Choice (continued) | 4 | | 4 | 4 | 8 |
| 8 | Midterm exam | 2 | | 2 | | 2 |
| 9 | The Costs of the Production | 4 | | 4 | 4 | 8 |
| 10 | Firms in Competitive Markets | 4 | | 4 | 4 | 8 |
| 11 | Monopoly | 4 | | 4 | 2 | 6 |
| 12 | Monopolistic Competition / Oligopoly | 4 | | 4 | 4 | 8 |
| 13 | Oligopoly | 4 | | 4 | 4 | 8 |
| 14 | The Markets for the Factors of Production | 4 | | 4 | 4 | 8 |
| 15 | Externalities / Public Goods and Common Resources | 4 | | 4 | 4 | 8 |
| 16 | Final Exam | 2 | | 2 | | 2 |
| | Total Introduction to Economics I | 60 | 0 | 60 | 28 | 110 |
| | Introduction to Economics II | | | | | |
| 1 | Nation's income | 4 | | 4 | 4 | 8 |
| 2 | Inflation | 4 | | 4 | 4 | 8 |
| 3 | Production and Growth | 4 | | 4 | 4 | 8 |
| 4 | Financial system | 4 | | 4 | 2 | 6 |
| 5 | The Monetary system | 4 | | 4 | 4 | 8 |
| 6 | The Monetary system | 2 | | 2 | 6 | 8 |

| | | | | | | |
|----|---|------------|--|------------|-----------|------------|
| | (continued) | | | | | |
| 8 | Midterm exam | 2 | | 2 | | 2 |
| 9 | Short-run fluctuation | 4 | | 4 | 4 | 8 |
| 10 | Monetary and Fiscal Policy | 4 | | 4 | 4 | 8 |
| | Monetary and Fiscal Policy | 4 | | 4 | 4 | 8 |
| 11 | Unemployment | 4 | | 4 | 4 | 8 |
| 12 | Unemployment and Inflation | 4 | | 4 | 2 | 6 |
| 13 | Unemployment and Inflation | 4 | | 4 | 10 | 14 |
| 14 | Open Economy | 4 | | 4 | 4 | 8 |
| 15 | Open Economy (continued) | 4 | | 4 | 4 | 8 |
| 16 | Final exam | 2 | | 2 | | 2 |
| | Total Introduction to Economics II | 60 | | 60 | 54 | 118 |
| | TOTAL Introduction to Economics | 120 | | 120 | 82 | 228 |

ASSESSMENT

Assignments

You should submit almost every chapter quiz answers. Download chapter quiz questions, study them, and submit answers.

- About 8~10 times
- The number of questions in each chapter is 10~25.
- Grading: half correct (Good), less than half correct (Need to study more), Just submission but nothing (Poor)

Exams

Midterm and Final!

[Extra credit] Class Q&A participation

I will ask questions by calling names during classes. Questions include contents from last to current class. You are expected to answer to my question. Please review and preview before classes. You will be given extra credits for your good performance for Q&A activities. Wrong answers are OK, but NO answers get negative points (-0.1pts) from your total scores (100pts). Excellent answers get extra points (+0.1pts).

Part 2: Grading Policy

The grade for this course is based on a midterm 30%, a final exam 40%, assignments 20%, and attendance 10%

| | |
|---------------------|------------|
| Midterm Exam | 30% |
| Final Exam | 40% |
| Assignments | 20% |
| Attendance | 10% |

Attendance at lectures and tutorials is essential in this course. To pass the course (an F grade indicates failure), you must submit acceptable work for each item of assessment; and obtain a minimum of 50% in the overall assessments. Students who miss a class more than eight times will directly get an F grade.

Exams

We will have a midterm exam in Week 8 and a final exam in Week 16.

Part 3: Topic Outline/Schedule

Lecture Outlines:

INTRODUCTION TO ECONOMICS I

Week 1

Topics

Introduction of the course

- Ch1. Ten Principles of Economics
 - ✓ How people make decisions
 - ✓ How people interact
 - ✓ How the Economy as a whole works
- Ch2. Thinking like an Economist
 - ✓ The economist as a scientist
 - ✓ The economist as a policy advisor

Week 2

Topics

- Ch3. Interdependence and the Gains from Trade
 - ✓ A parable for the modern Economy
 - ✓ Comparative advantage: The driving force of specialization
- Ch4. The Market Forces of Supply and Demand
 - ✓ Markets and competition
 - ✓ Demand

- ✓ Supply
- ✓ Supply and demand together

Week 3*Topics*

- Ch4. The Market Forces of Supply and Demand
 - ✓ Supply and demand together
- Ch5. Elasticity and its Application
 - ✓ The elasticity of demand
 - ✓ The elasticity of supply

Week 4*Topics*

- Ch6. Supply, Demand and Government Policies
 - ✓ Control on prices
 - ✓ Taxes

Week 5*Topics*

- Ch7. Consumers, Producers and the Efficiency of Markets
 - ✓ Consumer surplus
 - ✓ Producer surplus
 - ✓ Market efficiency

Week 6*Topics*

- Ch21. The Theory of Consumer Choice
 - ✓ The budget constraint: what the consumer can afford
 - ✓ Preferences: what the consumer wants
 - ✓ Optimization: what the consumer chooses
 - ✓ Three applications

Week 7*Topics*

- Ch21. The Theory of Consumer Choice
 - ✓ Optimization: what the consumer chooses
 - ✓ Three applications

Week 8

- Mid-term Exam

Week 9*Topics*

- Ch13. The Costs of the Production
 - ✓ What are costs?
 - ✓ Production and costs
 - ✓ The various measures of costs
 - ✓ Costs in the short run and in the long run

Week 10*Topics*

- Ch14. Firms in Competitive Markets
 - ✓ What is a competitive market?
 - ✓ Profit maximization and the competitive firm's supply
 - ✓ The supply curve in a competitive market

Week 11

Topics

- Ch15. Monopoly
 - ✓ Why monopolies arise
 - ✓ How monopolies make production and pricing
 - ✓ The welfare cost of monopolies
 - ✓ Price discrimination
 - ✓ Public policy toward monopolies

Week 12*Topics*

- Ch16. Monopolistic Competition
 - ✓ Between monopoly and perfect competition
 - ✓ Competition with differentiated products
 - ✓ Advertising
- Ch17. Oligopoly
 - ✓ Markets with only a few sellers
 - ✓ The economics of cooperation
 - ✓ Public policy toward oligopolies

Week 13*Topics*

- Ch17. Oligopoly
 - ✓ The economics of cooperation
 - ✓ Public policy toward oligopolies

Week 14*Topics*

- Ch18. The Markets for the Factors of Production
 - ✓ The demand for labor
 - ✓ The supply for labor
 - ✓ Equilibrium in the labor market
 - ✓ The other factors of production: land and capital

Week 15*Topics*

- Ch10. Externalities
 - ✓ Externalities and market inefficiency
 - ✓ Public policies towards externalities
 - ✓ Private solutions to externalities
- Ch11. Public Goods and Common Resources (if time permits)
 - ✓ The different kinds of goods
 - ✓ Public goods
 - ✓ Common resources

Week 16*Topics*

- Final Exam

EXAMINATION PERIOD: See the Midterm and Final Examination timetable on the student intranet for the exact date, time and location of any examinations.

INTRODUCTION TO ECONOMICS II

Week 1:

Subject

Measuring a Nation's Income

Topics

- What is Gross Domestic Product (GDP)?
- How is GDP related to a nation's total income and spending?
- What are the components of GDP?
- How is GDP corrected for inflation?
- Does GDP measure society's well-being?

Required readings & references

[MANKIW] Ch23; [ACE] Ch19

Week 2:

Subject

Measuring the Cost of Living

Topics

- What is the Consumer Price Index (CPI)?
- How is it calculated? What's it used for?
- What are the problems with the CPI? How serious are they?
- How does the CPI differ from the GDP deflator?
- How can we use the CPI to compare dollar amounts from different years? Why would we want to do this, anyway?
- How can we correct interest rates for inflation?

Required readings & references

[MANKIW] Chapter 24; [ACE] Chapter 19

Week 3:

Subject

Production and Growth

Topics

- What are the facts about living standards and growth rates around the world?
- Why does productivity matter for living standards?
- What determines productivity and its growth rate?
- How can public policy affect growth and living standards?

Required readings & references

[MANKIW] Chapter 25; [ACE] Chapter 20, 21 & 22

Week 4:

Subject

Saving, Investment, and the Financial System

Topics

- What are the main types of financial institutions in the U.S. economy, and what is their function?
- What are the three kinds of saving?
- What's the difference between saving and investment?
- How does the financial system coordinate saving and investment?
- How do government policies affect saving, investment, and the interest rate?

Required readings & references

[MANKIW] Chapter 26; [ACE] Chapter 24

Week 5 & 6:

Subject

The Monetary System

Topics

- What assets are considered "money"? What are the functions of money? The types of money?
- What is the Federal Reserve?
- What role do banks play in the monetary system? How do banks "create money"?
- How does the Federal Reserve control the money supply?

Required readings & references

[MANKIW] Chapter 29; [ACE] Chapter 25

Week 7:

Subject

Money Growth and Inflation

Topics

- How does the money supply affect inflation and nominal interest rates?
- Does the money supply affect real variables like real GDP or the real interest rate?
- How is inflation like a tax?
- What are the costs of inflation? How serious are they?

Required readings & references

[MANKIW] Chapter 30; [ACE] Chapter 25

Week 8:*Midterm Notices*

- You should study Mankiw Ch23 to Ch26, Ch29
- Please bring your own calculator!

Textbook Study Guide

- See Selected Questions section

Week 9:*Subject*

Aggregate Demand and Aggregate Supply

Topics

- What are economic fluctuations? What are their characteristics?
- How does the model of aggregate demand and aggregate supply explain economic fluctuations?
- Why does the Aggregate-Demand curve slope downward? What shifts the AD curve?
- What is the slope of the Aggregate-Supply curve in the short run? In the long run?
What shifts the AS curve(s)?

Required readings & references

[MANKIW] Chapter 33; [ACE] Chapter 26

Week 10:*Subject*

The Influence of Monetary and Fiscal Policy on Aggregate Demand

Topics

- How does the interest-rate effect help explain the slope of the aggregate-demand curve?
- How can the central bank use monetary policy to shift the AD curve?
- In what two ways does fiscal policy affect aggregate demand?
- What are the arguments for and against using policy to try to stabilize the economy?

Required readings & references

[MANKIW] Chapter 34; [ACE] Chapter 27

Week 11:*Subject*

Unemployment

Topics

- How is unemployment measured?
- What is the "natural rate of unemployment"?
- Why are there always some people unemployed?
- How is unemployment affected by unions and minimum wage laws?
- What is the theory of efficiency wages, and how does it help explain unemployment?

Required readings & references

[MANKIW] Chapter 28; [ACE] Chapter 23

Week 12:*Subject*

The Short-Run Tradeoff Between Inflation and Unemployment

Topics

- How are international flows of goods and assets related?
- What's the difference between the real and nominal exchange rate?
- What is "purchasing-power parity," and how does it explain nominal exchange rates?

Required readings & references

[MANKIW] Chapter 35; [ACE] Chapter 23

Week 13:*Subject*

Open-Economy Macroeconomics: Basic Concepts

Topics

- How are international flows of goods and assets related?
- What's the difference between the real and nominal exchange rate?
- What is "purchasing-power parity," and how does it explain nominal exchange rates?

Required readings & references

[MANKIW] Chapter 31; [ACE] Chapter 28

Week 14: Chapter 32*Subject*

A Macroeconomic Theory of the Open Economy

Topics

- In an open economy, what determines the real interest rate? The real exchange rate?
- How are the markets for loanable funds and foreign-currency exchange connected?
- How do government budget deficits affect the exchange rate and trade balance?
- How do other policies or events affect the interest rate, exchange rate, and trade balance?

Required readings & references

[MANKIW] Chapter 32; [ACE] Chapter 29

Week 15: Q&A

Week 16: Final exam

Final exam Notices

- Study Ch30-Ch33, Ch28, and Ch35!
- Bring a simple calculator!
- Be on time!

Textbook Study Guide

- See Selected Questions section