

Department of Economics
University of Toronto
ECO100Y – L0201
Introduction to Economics
2015-16

First Term	Second Term
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Description

Overview

Economics is the study of human behaviour in the presence of scarcity. As such, it examines how the various actors in the economy – individuals, firms, and governments – make choices, as well as the main avenues by which they interact – markets and public policy.

This course is an introduction to how economists model the rational economic behaviour of these agents in a market environment, and also how economists evaluate market performance. For example, we ask whether markets always lead to the best possible outcomes, and if not, under what conditions governments might intervene to improve matters.

The first part of the course, *microeconomics*, is spent introducing the building blocks of most economic analysis. Here we develop theories of consumer and producer behaviour, the competitive supply and demand model, and models of markets characterized by imperfect competition or imperfect information. The second part of the course, *macroeconomics*, focuses on economic aggregates such as the unemployment rate, economic growth, and inflation. Most of the time, macroeconomics is essentially the application of microeconomic principles to these “big picture” variables.

Objectives

This course has two equally important objectives.

1. To help students learn how to “think like an economist,” and prepare them for further study in economics;
2. To provide students an overview of the richness of questions addressed by modern economics.

By introducing the main economic concepts, vocabulary, and tools of analysis, students should be enabled to evaluate more critically the economic discourse that they will inevitably encounter, whether or not they ever take another economics course.

Required Texts

For Microeconomics:

- Krugman, Wells, Au and Parkinson, *Microeconomics* (2nd Canadian Edition, 2014)
- Krugman, et al., *Study Guide for Microeconomics* (2nd Canadian Edition, 2014)

We also make limited use of selections from a now out-of-print textbook. Electronic copies of the relevant selections from this text will be available through the portal:

- Robin Boadway and Joseph Stiglitz, *Principles of Microeconomics and the Canadian Economy*, Second Edition, W.W. Norton and Company (1997).

For Macroeconomics:

- Christopher Ragan, *Macroeconomics*, (14th Canadian Edition, 2014)
- Christopher Ragan, *Study Guide for Macroeconomics*, (14th Canadian Edition, 2014)

Class Meetings

Lectures

Regular lectures are held Mondays and Wednesdays in BT101 at 12:10pm, as well as occasional Fridays (same time and location). The Fridays with lectures are indicated on the course schedule, and are also held in reserve for make-up lectures, etc. Announcements will be made on the portal if there are any Friday classes besides those already listed in the schedule.

Tutorials

Starting the second week of classes, students will also attend a weekly one hour tutorials. Students must sign up for one of the following times:

- Mondays [4 slots]: 9-10, 10-11, 4-5, and 5-6
- Tuesdays [2 slots]: 4-5 and 5-6
- Thursdays [2 slots]: 2-3, 3-4

Instructions for tutorial sign-up are on the portal. The purpose of the tutorials is to review and discuss concepts from class, to take-up problems, and to complete in-class exercises.

Communications

The Portal

Announcements, tutorial assignments, grades, problem sets, and answers to term tests will be posted on Blackboard (i.e., the Portal). The syllabus (the week-by-week schedule of lectures topics and required readings) will also be posted here, as will outlines of lectures and other course materials (as available).

Email

Email is *NOT* an appropriate forum for discussing course materials or asking questions about course content. As such, the use of email to instructors should be restricted to private matters, or to notify us of course problem (e.g. broken link, typo, TA issues, etc.).

- For e-mails asking for a reply, if we can answer briefly without explaining course content or revealing something of general interest, then we will reply within three business days.
- All email should originate from a utoronto email address, and include “ECO100Y, L0201” in the subject field. The email must also have your name and student number.
- For any question that would interest other people (e.g. a question about an upcoming test, a course concept, etc.), you must post on Piazza (described below).
- If you receive no reply to your e-mail, check announcements, review the syllabus, post on Piazza, see us or your TA in office hours/class.

Piazza

Piazza is an electronic discussion board through which students engage with each other by posting and responding to questions related to course materials. Piazza provides the opportunity for all students to become participants in class discussions. The discussions are monitored weekly (and more regularly) by a TA and the instructors. You can sign-up for Piazza through the class Blackboard page, where more detailed instructions are provided. Piazza is the appropriate forum for posting questions pertaining to course content, administration, or economic ideas more generally.

Student Support

Besides Piazza, there are several other sources of student support:

Instructor Office Hours

Both instructors hold regular weekly office hours.

- Professor Benjamin (First Semester):
 - Wednesdays 4:00-5:00 (Open)
 - Wednesdays 5:00-6:00, by appointment only, through:
<https://calendly.com/dwayne-benjamin/office-hour-appointment>
- Jessica Burley (Second Semester):
 - TBA

Aid Centre (TA Office Hours)

There is an Aid Centre, which is staffed by our own course Teaching Assistants. Students may use the Aid Centre for additional help. Hours and location for this section of ECO100Y will be posted early in the semester.

Economics Study Centre

The Economics Study Centre is located in the Economics Department, and is staffed by third and fourth year undergraduate students who act as peer mentors to Economics and Commerce students. The peer mentors assist students on a one-to-one basis or in study groups. The focus of the program is on core first and second-year Economics courses including ECO100Y. The hours of the study centre will be posted on the website:

<https://www.economics.utoronto.ca/index.php/index/undergraduate/load/studyCentre>

Student Assessment

Student grades are based on the following assessments:

Assessment	Date	Weight
Warm-Up Exercise	Beginning of Term	2%
In-Tutorial Exercises	All Tutorials	6%
Term Test 1	October 30, 2015	14%
Term Test 2	December Exam Period	14%
Term Test 3	March 3, 2016, 2016	14%
Final Exam	Final Exam Period	50%

Warm-Up Exercise

There is a warm-up exercise (to be done online) intended for the first week of class. The exercise involves answering questions about personality traits or goals and should take about 45 to 90 minutes. Its purpose is to learn more about how to help promote academic and personal success (you will not be tested on ECO100 material). Please go to, <http://economics.utoronto.ca/warmup>, to complete the exercise.

Students who complete the warm-up exercise at the beginning of the semester will receive the full value (2%) towards their grade in the course. **Everyone should do this exercise.**

In-Tutorial Exercises

In every tutorial there will be a “low-stakes” graded exercise. The nature of the exercises may vary week-to-week, but the primary objective is to provide students an opportunity to write about core ideas in the course, or practice solving an economics problem. Full points are awarded for any credible attempt at the exercise; Half-points for half-hearted attempts; and zero for no attempt. We expect nine (9) tutorials per semester, but only the best six (6) exercises will count. This means that the best six exercises per semester each count for 0.5% of your final grade. Beyond allowing everyone to count their best six exercises, *there is no further accommodation provided for missed tutorials*. Exercises can only be completed within the tutorials, and will not be accepted any other way.

Problem Sets

The only way to learn economics is to *do* economics. It is therefore important to do as many practice problems as possible. To help with this, we will assign regular problem sets. Solutions to the problems will not be made available, except in tutorials, nor will the problem sets be graded. The objective is to provide tangible “homework” to help guide your own learning.

Term tests

There are three term tests, with the dates as noted above:

- **Term Test 1, Friday October 30, 2015, 12:00-2:00.** Locations will be announced later, as tests are held in rooms more conducive to test-writing. Note that the test is scheduled for two hours.
- **Term Test 2, December Exam Period.** This test is held in the December exam period, which runs from December 11-22, 2015. The specific day and time is scheduled by the Faculty of Arts and Sciences, and will be announced to the class later in the term. *Do not book flights until the exam date is finalized!* If you miss this term test because of travel, you will receive a zero on the test: No make-up test will be offered in such cases.
- **Term Test 3, Thursday March 3, 2016, 6:00-8:00pm.** Locations will be announced later. Note that the test is scheduled for two hours on a Thursday evening.

The tests are expected to consist of a combination of short-answer and multiple-choice questions. Details of coverage, style, and mix of questions (MC or short-answer) will be made available closer to the test dates. It is expected at this point that Test 1 will be “mostly” Multiple Choice, while Test 2 and Test 3 will be “mostly” short-answer.

Make-up Tests

Students who miss a test for any reason will receive a zero for the missed test, unless they follow this procedure. Students with an excused absence from any of the term tests will write a common make-up examination at 12:00pm on Friday, April 1, 2016. This make-up examination will cover *the entire course*, and will be held at a location to be announced later.

In order to write the make-up test, students must do the following:

1. Email the instructor *no later* than the end of the day of the test, indicating that they will not be writing the test due to illness;
2. Submit official documentation within **one week of the missed test** to the instructor, in class or during normal office hours.
3. The *only* accepted document is the official University of Toronto *Verification of Student Illness or Injury* form, available here: <http://www.illnessverification.utoronto.ca>. The form must be completed in its entirety by a physician (i.e., a medical doctor);
4. Medical notes cannot be retrospective: They must confirm that in the physician’s professional opinion, the student was unable to write the test on the exact date of the test.

Re-marking Requests

Requests for remarking must:

1. Be made *IN WRITING* and submitted in person to the Instructor. Requests will only be accepted by paper (i.e., not by email).
2. Explain precisely *WHY* more points are justified for each disputed question;
3. The appeal must be submitted within two weeks of the date on which tests were returned.

The entire submission will be remarked: your mark can go up, down, or remain unchanged.

Final Examination

The final examination (50% of the course grade) is composed of multiple-choice and short-answer questions. Every student in ECO100Y writes the same final exam, comprised of two parts:

- A set of common questions (identical across sections) worth 50%;
- A set of questions (short-answer or multiple choice), specific to each section, worth 50%.

The common component of the final exam is used to benchmark grades across sections of ECO100Y.

Final Grades in ECO100Y

Here is an official statement about final grades that assures all of you that they will be fairly awarded across sections:

- Historically, the average grade across all sections of Economics 100 is C+;
- The average grade in each section will vary to reflect the relative performance of students in that section on the common part of the final examination;
- The average grade for a section whose students perform above average on the common component of the final examination will be higher than the overall average grade for ECO100Y, and conversely.
- The average grade on each term test will, inevitably, vary across sections. However, it merits emphasis that students in a section where the average grade on a term test is low are NOT disadvantaged on this account. The average FINAL grade awarded in each section will reflect the performance of that student's section on the common part of the final examination.

Academic Integrity

Academic integrity is one of the cornerstones of the University of Toronto. It is critically important both to maintain our community, which honours the values of honesty, trust, respect, fairness and responsibility, and to protect you, the students within this community, and the value of the degree towards which you are all working so diligently. According to Section B of the University of Toronto's Code of Behaviour on Academic Matters, which all students are expected to know and respect:

<http://www.artsci.utoronto.ca/osai/The-rules/code/the-code-of-behaviour-on-academic-matters>

It is an offence for students:

- To obtain unauthorized assistance on any assignment or to provide unauthorized assistance to another student (e.g., showing completed work or an answer in a test).
- To falsify or alter any documentation required by the University (this includes doctors notes).
- To alter and submit for re-marking any course assignment (e.g., a test).
- To use or possess an unauthorized aid in any test or exam (e.g., a cellphone).
- To continue writing when the time is up in any test or exam.

Planned Coverage

The following is an outline of the topics we expect to cover, as well as the associated readings. Note that we will cover some chapters in more detail than others, for example, leaving the descriptive material and examples for students to read on their own.

Note also that the lectures and readings are complementary – they are not substitutes. There is material covered in lectures that is not in the textbook, and vice versa. It should come as no surprise that the material covered in lectures is especially important.

Part One: Microeconomics

1. Introduction: Thinking like an Economist
 - Overview of Economics and Economic Questions (Krugman, Chapter 1);
 - Modelling Opportunity Sets (Krugman, Chapter 2, 2a)
 - Economic Decision-making: Optimization (Krugman, Chapter 9)
2. Comparative Advantage and Gains from Trade
 - Gains from Trade and Exchange (Krugman, Chapter 2)
3. Supply and Demand
 - The Supply and Demand Model (Krugman, Chapter 3, 3a);
 - Elasticity (Krugman, Chapter 6, 6a);
 - Consumer and Producer Surplus (Krugman, Chapter 4);
 - Market Interventions: Price Floors, Ceilings, and Quotas (Krugman, Chapter 5);
 - Market Interventions: Taxes (Krugman, Chapter 7);
4. Economic Decision Making by Consumers
 - Theory of Consumer Demand (Krugman, Chapter 10)
 - Application to Savings Decisions (Stiglitz, pages 155-167)
5. Economic Decision Making by Producers
 - Firm costs (Krugman, Chapter 11);
 - Perfect competition and Supply (Krugman, Chapter 12);
6. Imperfect Competition
 - Monopoly (Krugman, Chapter 13);
 - Oligopoly and Game Theory (Krugman, Chapter 14);
 - Monopolistic Competition (Krugman, Chapter 15).
7. Uncertainty and Imperfect Information
 - Decision making under Uncertainty (Krugman, Chapter 20);
 - Markets with Imperfect Information (Krugman, Chapter 20).
8. Financial Markets
 - Decision-making by consumers (Stiglitz, pages 167-178);
 - Financing and Controlling the Firm (Stiglitz, pages 362-381).

9. Poverty and Inequality

- Measuring and Interpreting Poverty and Inequality (Krugman, Chapter 18)
- Government Policy and the Welfare State (Krugman, Chapter 18)

10. Externalities and Public Goods

- Marginal Social Cost and the Socially Optimal Equilibrium (Krugman, chapter 16)
- Examples of Negative and Positive Externalities (Krugman, Chapter 16)
- Private versus Public goods (Krugman, Chapter 17)

Part Two: Macroeconomics

11. Intro to Macroeconomics and National Income Accounting

- Overview of Macroeconomics (Ragan, Chapter 19)
- The Income and Expenditure Approach (Ragan, Chapter 20)

12. The Short-Run Macro Model

- Desired Aggregate Expenditure (Ragan, Chapter 20)
- Equilibrium National Income and the Multiplier (Ragan, Chapter 20)
- Adding in Government and Foreign Markets (Ragan, Chapter 21)
- Aggregate Demand and Supply (Ragan, Chapter 23)

13. The Long-Run Macro Model

- Output Gaps and the Factor Price Adjustment Process (Ragan, Chapter 24)
- Fiscal Policy (Ragan, Chapter 24)
- Long Run Economic Growth (Ragan, Chapter 26)

14. Money and Banking

- The Canadian Banking System (Ragan, Chapter 27)
- Money Demand and Supply (Ragan, Chapter 28)
- Monetary Equilibrium and National Income (Ragan, Chapter 28)

15. Monetary Policy

- Money Supply and the Interest Rate (Ragan, Chapter 29)
- Equilibrium National Income (Ragan, Chapter 29)

16. Inflation, Unemployment, and the Government Budget

- Expected Inflation and Wages (Ragan, Chapter 30)
- Long-Run Employment Relationships (Ragan, Chapter 31)
- Government Spending and Saving (Ragan, Chapter 32)

17. International Trade and Exchange Rates

- Patterns of Foreign Trade and Terms of Trade (Ragan, Chapter 33)
- Trade Policy (Ragan, Chapter 34)
- Demand and Supply of Foreign Currency (Ragan, Chapter 35)

Planned Schedule

The following is a planned timetable of coverage for the year and is subject to change. We also indicate those weeks with tutorials, as well as test dates. As noted previously, Fridays are also reserved for make-up and/or “catch-up” lectures, and will be announced on the portal.

FIRST SEMESTER						
Week	Lect.	Day	Date	Topic	Tutorials	
1	1	Mon	14/Sep/15	Introduction		
	2	Wed	16/Sep/15	Thinking like an economist I		
	3	Fri	18/Sep/15	Thinking like an economist II		
2	4	Mon	21/Sep/15	Gains from Trade	Yes	
	5	Wed	23/Sep/15	Supply and Demand I		
3	6	Mon	28/Sep/15	Supply and Demand II	Yes	
	7	Wed	30/Sep/15	Elasticity		
4	8	Mon	5/Oct/15	Surplus	Yes	
	9	Wed	7/Oct/15	Interventions I		
5		Mon	12/Oct/15	THANKSGIVING		
	10	Wed	14/Oct/15	Interventions II		
6	11	Mon	19/Oct/15	Demand I	Yes	
	12	Wed	21/Oct/15	Demand II		
7	13	Mon	26/Oct/15	Firm Costs I	Yes	
	14	Wed	28/Oct/15	Firm Costs II		
		Fri	30/Oct/15	TERM TEST 1		
8	15	Mon	2/Nov/15	Competitive Supply I	Yes	
	16	Wed	4/Nov/15	Competitive Supply II		
9		Mon	9/Nov/15	FALL BREAK		
	17	Wed	11/Nov/15	Monopoly I		
	18	Fri	13/Nov/15	Monopoly II		
10	19	Mon	16/Nov/15	Oligopoly I	Yes	
	20	Wed	18/Nov/15	Oligopoly II		
11	21	Mon	23/Nov/15	Monopolistic Competition	Yes	
	22	Wed	25/Nov/15	Uncertainty and Imp Information I		
12	23	Mon	30/Nov/15	Uncertainty and Imp Information II	Yes	
	24	Wed	2/Dec/15	Financial Markets I		
13	25	Mon	7/Dec/15	Financial Markets II		
	26	Wed	9/Dec/15	Poverty and Inequality		
		Dec	Exam Period	TERM TEST 2		

SECOND SEMESTER					
Week	Lect.	Day	Date	Topic	Tutorials
14	1	Mon	11/Jan/16	Externalities I	
	2	Wed	13/Jan/16	Externalities II	
15	3	Mon	18/Jan/16	Role of Government	Yes
	4	Wed	20/Jan/16	Intro to Macroeconomics	
16	5	Mon	25/Jan/16	Measuring National Income	Yes
	6	Wed	27/Jan/16	AE and Equilibrium Income I	
17	7	Mon	1/Feb/16	AE and Equilibrium Income II	Yes
	8	Wed	3/Feb/16	Govn't and Foreign Markets I	
18	9	Mon	8/Feb/16	Govn't and Foreign Markets II	Yes
	10	Wed	10/Feb/16	AD and AS I	
			15/Feb/16	READING WEEK	
19	11	Mon	22/Feb/16	AD and AS II	Yes
	12	Wed	24/Feb/16	AD and AS III	
20	13	Mon	29/Feb/16	Fiscal Policy	Yes
	14	Wed	01/Mar/16	Long Run Economic Growth	
		Thurs	03/Mar/16	TERM TEST 3	
21	15	Mon	7/Mar/16	Money and Banking	
	16	Wed	9/Mar/16	Monetary Policy I	
22	17	Mon	14/Mar/16	Monetary Policy II	Yes
	18	Wed	16/Mar/16	Unemployment and Inflation	
23	19	Mon	21/Mar/16	Government Budget	Yes
	20	Wed	23/Mar/16	International Trade I	
24	21	Mon	28/Mar/16	International Trade II	Yes
	22	Wed	30/Mar/16	Exchange Rates I	
		Fri	01/Apr/16	Make-up Test	
25	23	Mon	04/Apr/16	Applications and Review I	
	24	Wed	06/Apr/16	Applications and Review II	
		Apr	Exam Period	FINAL EXAM	