

ECON1000: Principles of Economics

January 2021

Department of Economics

UNIVERSITY OF THE WEST INDIES, MONA



Lecturer: Damien King, E212 McIntyre.

Office Hours: Tue 2-4, Thu 9-11

Pre-requisites: CXC mathematics (grade II) or ECON0001.

Description

This course introduces you to the basic principles and methods of economics. It assumes no previous exposure to the field. All you need is curiosity and a willingness to read. We cover the basic ideas underlying the economic way of thinking and apply them to a range of phenomena both within and outside of the areas of traditional economic analysis. The objective of the course is that, upon completion, you will be able to interpret societal outcomes with an understanding of the underlying economic impulses at work.

Learning Objectives

Upon successful completion of this course, a student should be able to...

- Describe the core ideas that economists use in understanding the world.
- Explain how a market economy functions.
- Describe how an economy solves the fundamental problem of scarcity.
- Analyse economic events, both at the level of individual markets and that of the economy as a whole, using the basic tools of economics.
- Evaluate the effect of changes in market conditions on outcomes in a market.
- Describe both the advantages of markets and the meaning of and circumstances under which markets fail.
- Explain the benefit of specialization and exchange, and demonstrate the gains to be had from such.
- Evaluate the effects of changes economic events on inflation, interest rates, and the exchange rate.
- Explain why some countries are wealthier than others and identify the factors that are holding some countries back.

Assessment and Delivery

The final grade is determined from 10 quizzes, one each week, (50%) and a comprehensive final examination (50%).

The syllabus is delivered in two lecture hours and one tutorial hour per week. Problem sets will be provided for practice at problem solving. You are to attempt answers to the problem sets before you attend your tutorial.

Resources

Your primary resource is the course site on OurVLE. All resource material is provided there. A large part of that material is drawn from the following sources.

- N. Gregory Mankiw, Principles of Economics (any edition), South-Western, United States.
- Steven E. Landsburg, The Armchair Economist: Economics and Everyday Life, The Free Press, New York, 2012.
- Tim Harford, The Logic of Life, Random House, New York, 2008.
- Tim Harford, The Undercover Economist, Oxford University Press, Oxford, 2012.

Syllabus

I: The Basics

-----WEEKS 1, 2

1. *The Foundation*

- 1.1. Incentives
- 1.2. Scarcity
- 1.3. Values
- 1.4. Prices
- 1.5. Returns

II: The Toolbox

-----WEEK 3

2. *Specialization and Trade*

- 2.1. The Benefit of Cooperation
- 2.2. Production Possibilities Frontier
- 2.3. Consumption Possibilities
- 2.4. PPF with Diminishing Returns

-----WEEK 4

3. *The Market Model*

- 3.1. Demand
- 3.2. Supply
- 3.3. The Market
- 3.4. Special Cases
- 3.5. Welfare

-----WEEK 5

4. *Interfering in the Market*

- 4.1. Taxation
- 4.2. Price Restrictions
- 4.3. Quantity Restrictions

-----WEEK 6

5. *Market Failures*

- 5.1. Externalities
- 5.2. Public Goods
- 5.3. Asymmetric Information

III: The Macroeconomy

-----WEEK 7

6. *Output and Growth*

- 6.1. Total Output
- 6.2. Capital Accumulation
- 6.3. Innovation
- 6.4. Institutional Reform
- 6.5. Solow Growth Model

-----WEEK 8

7. *Prices and Inflation*

- 7.1. What is Inflation?
- 7.2. What Causes Inflation?
- 7.3. Why Does it Happen?
- 7.4. How is it Harmful?

-----WEEK 9

8. *Interest Rates and Finance*

- 8.1. Savings and Investment: a Story
- 8.2. Savings and Investment: a Second Pass
- 8.3. Financial Institutions and Markets
- 8.4. The Market for Funds

-----WEEK 10

9. *The Exchange Rate and External Linkages*

- 9.1. Nominal and Real Exchange Rates
- 9.2. Calculating the Real Exchange Rate
- 9.3. The Exchange Rate and Trade
- 9.4. The Market for Foreign Exchange
- 9.5. Purchasing Power Parity

-----WEEK 11

10. *Economic Statistics*

- 10.1. Circular Flow of Income
- 10.2. Defining GDP
- 10.3. Measuring GDP
- 10.4. Measuring Inflation