EBGN201 -- Principles of Economics – Draft 1/21/13

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Bulletin description:

EBGN201: PRINCIPLES OF ECONOMICS-(I,I1,S) Introduction to microeconomics and macroeconomics. This course focuses on applying the economic way of thinking and basic tools of economic analysis. Economic effects of public policies. Analysis of markets for goods, services and resources. Tools of cost-benefit analysis. Measures of overall economic activity. Determinants of economic growth. Monetary and fiscal policy. Prerequisites: None. 3 hours lecture; 3 semester hours.

Purpose in the curriculum:

Principles of Economics is part of the 3-course lower division humanities and social science core. The course introduces students to economic decision-making, macroeconomics and microeconomics. The course is the prerequisite for most of the 300-level economics and business courses at CSM.

Current Textbook:


Learning Outcomes/Topics Covered:

1. Discuss the role of scarcity in economic decisions and economic analysis.
2. Understand and explain why economists use models to analyze problems, and describe the standard behavioral assumptions used by economists.
3. Apply the principle of comparative advantage to explain why there are gains to specialization and trade and to measure these gains within the context of a simple economy.
4. Apply cost-benefit rules to make “either-or” decision and “how much” decisions
   - Understand and explain how application of the “principle of marginal analysis” yields the optimal quantity
   - Understand and explain the role of sunk costs in future decisions
   - Apply the cost-benefit rules across time using present value
   - Apply cost-benefit rules in the absence of market prices (e.g., the value of a statistical life)
5. Use the supply and demand model of a competitive market to demonstrate how a market reaches equilibrium and to predict or explain changes in prices and output levels using comparative statics analysis
   - Understand the implications of the assumptions made about competitive markets and the limitations of the model.
6. Explain how total output, economy-wide price changes and unemployment are measured and describe current and historical patterns in these measures.
   - Discuss the strengths and weaknesses of the official macroeconomic measures.
• Discuss the difference between nominal and real GDP, between real and nominal interest rates and between real and nominal exchange rates. Calculate real values given nominal values and appropriate indices.

7. Discuss the factors that determine economic growth and use these factors to explain difference in economic growth across time and space
• Explain the role of physical capital, human capital and technological change in the economic growth model
• Use the economic growth model to explain growth in different types of economies

8. Discuss the causes, consequences and response to the recent financial crisis and recession in the context of other business cycles.
• Discuss the role of the financial system in the global economy
• Describe how monetary policy affects macroeconomic activity through the interest rate and discuss the role of the Federal Reserve in recent business cycles
• Discuss how fiscal policy affects the macroeconomy and describe recent fiscal policy actions

9. Explain how the balance of payments is calculated and how exchange rates and capital flows affect the balance of payments
• Discuss costs and benefits of different exchange rate regimes
• Discuss the reasons for recent changes in the foreign exchange value of the dollar using the model of the foreign exchange market

10. Given supply and demand, determine total consumer surplus, producer surplus and total surplus
• Demonstrate how the market equilibrium maximizes total surplus
• Use the supply and demand model to show how imports and exports affect consumer surplus, producer surplus and total surplus

11. Understand and explain the effects of excise taxes, price controls and quantity controls on market price and quantity and on economic efficiency

12. Apply market modes to demonstrate the efficiency effects and the optimal response to negative and positive externalities and other market failures.
• Discuss and apply public policies that can correct for externalities including environmental standards, taxes, subsidies and tradable permits and demonstrate that “market” solutions to externalities are typically more efficient than environmental standards
• Contrast the conditions for efficient provision of private goods with those for public goods, common resources and artificially scarce goods and find the efficient level of a these goods

13. Model the decisions of firms in imperfectly competitive markets using game theory.