

Fall 2008 Syllabus

Section 40735: Tuesday and Thursday, 3:25pm - 4:40pm (Hutchison 140)

Section 93041: Monday, Wednesday and Friday, 9:00am - 9:50am (Goergen 101)

Websites

Blackboard for T-TH Class: http://my.rochester.edu/bin/common/course.pl?course_id=_18524_1

Blackboard for MWF Class: http://my.rochester.edu/bin/common/course.pl?course_id=_19302_1

Professor Rizzo's Course Website: <http://theunbrokenwindow.com/teaching/economics-108/>

Instructor Information

- Office Hours: (Official Hours) Monday, Wednesday, Friday 10:00am – 10:50am; Tuesday, Thursday 12:30pm to 1:45pm or by appointment.
- Office Location: 234 Harkness
- Office Phone: 275-5273
- E-mail: michael.rizzo@rochester.edu
- Other Phone: 859-319-1518 (cell)

Course Materials and Resources

- Required book: custom edition of Economics: Private and Public Choice, 12th edition, by Gwartney, Stroup, Sobel and Macpherson. In campus bookstore.
- Recommended book: (not required) The Undercover Economist by Tim Harford. In campus bookstore.
- Complete selection of required and supplemental readings, by topic:
<http://theunbrokenwindow.com/wp-content/uploads/2008/07/reading-list-and-topcs.mht>

Course Requirements

I.	First Midterm Exam (week of October 6)	15%
II.	Second Midterm Exam (week of November 12)	15%
III.	Writing Assignments and Exercises (4 of them, min.)	20%
IV.	Group Project	20%
V.	Final Exam	30%

At least 4 problem sets will be distributed, but neither graded nor collected

Register for a recitation (most on Fridays) during first class meeting

Course Outline

Section I: The Economic Way of Thinking

A. Introduction

- i. What is Economics?
- ii. Scarcity
- iii. Social cooperation, planning and spontaneous order
- iv. The market system; anti-market sentiments; biases (and what gives rise to them)

B. Economic Evolution: Today's Economy in Historical Perspective

C. Economics as a Science: Modeling, Theories and Policies

D. Basic Economic Principles

- i. Tradeoffs
- ii. Opportunity costs
- iii. Thinking at the margin
- iv. Sunk costs (class experiment)
- v. Incentives

- vi. Pie fallacy (why economics is boring)
- vii. Market organization
- viii. Market "failure"
- ix. Standards of living
- x. Inflation

E. Ethical Foundations of Commercial Society

- i. The golden rule
- ii. Selfishness and self-interest
- iii. Soft-values, business responsibility, profits and love
- iv. Trust, faith or confidence?

F. Scarcity, Choice, Specialization and Exchange

- i. Basic economic questions
- ii. Tradeoffs
- iii. Wealth
- iv. Trade and exchange
- v. Production possibilities
- vi. Diminishing returns
- vii. Comparative advantage
- viii. International trade
- ix. Trade statistics and free trade



G. Property Rights, Institutions, and Economic Freedom

- i. Transactions costs and the market
- ii. Middlemen
- iii. Competing political economy models
- iv. Origins of American (western) system of property rights
- v. Economic freedom

- i. Factors of production
- ii. Profitability
- iii. Wages and rents
- iv. Interest
- v. Calculating profits
- vi. Uncertainty

B. The Entrepreneur

- i. Arbitrage
- ii. Restrictions on competition
- iii. Discounting and present value

Section II: Analytical Tools of the Economist

A. Supply and Demand

- i. Double oral auction experiment
- ii. Perfect competition simplification
- iii. Demand
- iv. Demand elasticity
- v. Need or wants?
- vi. Supply
- vii. Opportunity costs
- viii. Supply elasticity

B. Equilibrium and the Price System

- i. Methods of rationing
- ii. The Market
- iii. Coordinating role of money prices
- iv. Moving toward equilibrium
- v. Changes to market conditions
- vi. The urge to fix prices
- vii. Can you eliminate competition?
- viii. The success of planned economies

C. Supply and Demand Applications

- i. Rent Control
- ii. Economics of Illegal Drugs
- iii. Tax Incidence
- iv. Additional applications: professional sports, poetry readings, gold mines, delis, international trade and more

D. Evaluation of Market Mechanism

- i. Consumer and producer surplus
- ii. Welfare
- iii. Interlude (possible): rationality, mistakes, evolutionary psychology and behavioral economics

E. SPECIAL TOPIC (POSSIBLE): Economics of Health Care

- i. Popular notions; what is health care?
- ii. Fundamental health care problem
- iii. Insurance markets, application and history of health insurance
- iv. Peculiarities of health "insurance" market today
- v. Current health care cost problem
- vi. U.S. health care system
- vii. Analysis, policy and ethical issues

F. SPECIAL TOPIC (POSSIBLE): Economics of Risk and Uncertainty

- i. Danger and delight
- ii. Risk and personal safety
- iii. Why the increased fear of risk
- iv. Environmental and other risks
- v. How this fits in?

Section IV: Markets in the Real World: Extra Thumbs on the Invisible Hand; The Grabbing Hand

A. Competition in the Real World: Price Searching and Market Power

- i. What is a monopolist?
- ii. Choice and market power
- iii. Price takers, price searchers and optimal resource allocation
- iv. The competitive *process*
- v. The theory of price searchers
- vi. Price discrimination

B. Competition in the Real World: Externalities and Public Goods

- i. Conflicting rights
- ii. Negative and positive externalities
- iii. Thinking about Solutions
- iv. Negotiation and the Coase Thm
- v. Adjudication
- vi. Legislation: command and control, taxes, permits
- vii. Public Goods Experiment

C. Government Incentives and Private Incentives: A Public Choice Primer

- i. Markets and Government, Public Choice
- ii. What is the Case for Coercion?

D. The Distribution of Income

- i. Growth and inequality
- ii. Special privilege
- iii. The importance of inequality
- iv. Supply, demand and predetermination
- v. Capital
- vi. Poverty
- vii. Challenges
- viii. Land policy

Section V: Macroeconomics

A. Introduction

- i. Major issues in macroeconomics
- ii. Macroeconomic policy (Ch 11 and 12 if you have full edition, I will not cover these in class)

B. Measurement

- i. Measuring GDP
- ii. GDP and living standards

C. Inflation

- i. Causes
- ii. Consequences

D. SPECIAL TOPIC (POSSIBLE): Social Security

Section III: Profits, Losses and Entrepreneurialism

A. Simple Theory of the Firm

