**UNIVERSITY OF NORTH CAROLINA CHAPEL HILL**

**DEPARTMENT OF ECONOMICS**

**FALL 2019**

**ECONOMICS 101H: INTRODUCTION TO ECONOMICS (HONORS)**

*Instructor:* Prof. Martin Zelder

*Office:*  Gardner 305B

*Office hours:* Tu 11 am - noon, 1:30-2:30 pm;

 Th 11:30 am – 12:30 pm, 2-3 pm; and by appointment

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*Office phone:* 919-966-5393

*Lecture schedule:* TuTh 9:30 – 10:45 am

*Lecture location:* Dey 204

*Recitation schedule:* Th 1-2 pm

*Recitation location:* Hanes AC 215

Economics is the study of human behavior. The idea behind economic theory is that individuals and organizations make choices by comparing costs and benefits. In this course, we examine this cost-benefit choice mechanism for 3 entities: consumers, firms, and government. The majority of the course is devoted to trying to understand what choices consumers and firms make, why they make those choices, and the aggregate (macroeconomic) impact of these choices. We will also evaluate whether these choices are good or bad from a social point-of-view, and how government intervention might improve the outcomes of these choices.

**Learning Goals:** To understand and be able to apply the following concepts: rationality, choice, budgets, demand curves, firms, costs (variable and fixed), the short-run and the long-run, perfect competition, monopoly, market equilibrium, Gross Domestic Product, unemployment, inflation, efficiency, inefficiency and its causes, government microeconomic and macroeconomic policies.

**Required Reading:** *Economics* (13th edition) by Michael Parkin (Pearson, 2018), plus selected chapters from *The Economics of (Almost) Everything* by M. Zelder (posted on Sakai) and a few other selected short readings (posted on Sakai).

**I.** **Introduction**

 ***A. How (and Why) to Succeed in this Class (Maybe)***

 ***B. What the Heck is Economics?***

 Parkin pp. 1-10

 Zelder Chapters 1-3

 ***C. How Economists Think***

 Parkin pp. 11-28

 Zelder Chapter 4 pp. 1-2

 Parkin pp. 31-47

**II. Consumers’ Choices**

***A.* *Budget Constraints, Preferences, and Individual Demand Curves***

 Parkin pp. 206-208, 181-185, 189-191

 Zelder Chapter 4 pp. 8-12, 18-21

 Zelder Chapter 5 pp. 1-10

 ***B.* *Market Demand Curves***

 Parkin pp. 59-65

**III. Competitive Firms’ Choices**

 ***A.* *Defining Costs, Profits, and Firms***

 Parkin pp. 228-230, 242-243

 ***B. Profit-Maximization and Supply Curves: The Short-Run***

 Parkin pp. 251-263, 66-69 ; Zelder Chapter 7 pp. 1-2

 Parkin pp. 275-285; Zelder Chapter 7 pp. 2-6, 6-10

 ***C.* *Profit-Maximization and Supply Curves: The Long-Run***

 Parkin pp. 264-271, 285

 Zelder Chapter 7 pp. 10-12

**IV. Equilibrium in Microeconomies—Combining Consumers’ and Firms’ Choices**

 ***A. Equilibrium in Perfect Competition***

 Parkin pp. 70-77, 288-289

 ***B. Monopoly Equilibrium***

 Parkin pp. 304, 306-307

 Zelder Chapter 7 pp. 23-28

**V. Macroeconomic Foundations**

 ***A. Gross Domestic Product (GDP)***

Parkin, pp. 496-501

 ***B. Employment and Inflation***

 Parkin, pp. 520-524, 529-530

 ***C. Financial Markets***

 Parkin, Chapter 24

 ***D. Money***

 Parkin, Chapter 25

**VI. Aggregate Demand, Aggregate Supply, and Equilibrium**

 Parkin, pp. 654-667

 Parkin, Chapter 28

**VII.** **Efficiency**

 ***A. Efficiency in Microeconomic Markets***

 Parkin pp. 112-119

 Zelder Ch. 10 pp. 1-9

 Parkin pp. 155-160

 ***B. Microeconomic Market Failure***

 ***1. Monopoly***

 Parkin pp. 309-323

 ***2. Externalities***

Parkin pp. 395-404

 ***C. Microeconomic Government Policies***

 Parkin pp. 131-139, 143-146

 Parkin pp. 161-175

 Zelder Ch.10 pp. 9-10

 ***D.*** ***Efficiency in the Macroeconomy***

Parkin, pp. 502-503, 525-528, 550-552, 654-657, 662-663, 678-679, 682-685

***E. Macroeconomic Market Failure***

 Parkin, pp. 502-503, 520-527, 654-657, 663-667

 ***F. Macroeconomic Government Policies***

Parkin, pp. 668-669, Chapters 30-31

**VIII.** **Social Issues**

 ***A. Inequality***

Parkin Chapter 19

 ***B. Marriage, Love, and Divorce***

Zelder, “The Essential Economics of Love” (2010)

Zelder, “The Economic Analysis of the Effect of No-Fault Divorce Law on the Divorce Rate” (1993), pp. 243-254

 ***C. Suicide***

**Grading:** The course grade will be determined by ‘weekly’ (most but not all weeks) problem sets (10 percent total), two (2) midterm exams (25 percent each, or 50 percent in total), and a final exam (40 percent).

Makeup exams will only be given according to UNC criteria. Exams must be written in ink. Photocopies of exam answers will be retained by the instructor. Regrading of individual exam or problem set answers will only occur in the context of regrading the entire exam or problem set. Students may work together in solving problem sets, but each student must submit his or her own problem-set answers for grading.

**Honor Code:** All students are expected to follow the guidelines of the UNC honor code. In particular, students are expected to refrain from “lying, cheating, or stealing” in the academic context. If you are unsure about which actions violate that honor code, please see me or consult [honor.unc.edu](https://studentconduct.unc.edu/).

**Calendar:** The first midterm exam is scheduled for Tuesday September 24, and the second midterm exam is scheduled for Tuesday October 29. The cumulative final exam is on Tuesday Dec. 10 from 8-11 am, in your normal classroom (Dey 204). The last day of lectures is Tuesday December 3. There are no class meetings on: Thursday Oct. 17, and Thursday November 28. There are no recitation meetings on Thursday August 22 and Thursday November 28.

***Note:*** Some of the topics and readings listed above might not be covered due to limited time and the rate of progress of the lectures. As well, a few additional readings might be added during the course of the term. Modifications of either sort will be made at the discretion of the instructor.