

INTRODUCTION TO ECONOMICS, ECON 101 & 102  
Department of Economics  
St. Francis Xavier University  
2008

**Instructor:** Teng Wah Leo

**Time Blocks and Location:** HJ and JH at NHB21

**Office Hours:** Monday (10a.m. - 3 p.m.)

**Objective:** The course is designed to introduce you to the basic concepts and provide you with the tools of Microeconomics and Macroeconomics. Economics is the study of how societies allocate resources bounded by its scarcity. In Microeconomics, we examine both household, and firm behavior, and how their interactions determine those allocations, and the consequent wellbeing derived. While in Macroeconomics, we examine the allocation issue on the aggregate dimension, extending our analysis to economic growth, unemployment, inflation, and business cycles within a market-based economy, and the role of the government through its use of fiscal and monetary policies. This should culminate in your understanding of the mechanics of the world around you, and pique your interest in the study of Economics, and its many other facets.

**Evaluation:**

The course is divided into two terms, one for Microeconomics, and the other for Macroeconomics. There will be one mid term and one final examination for each segment. The following will be the allocations:

1. 5% Assignments
2. 15% Quizzes (3rd November, 14th November, 6th February, 6th March)
3. 30% Mid-Term Tests (On 17th October and 20th February)
4. 50% Final Examinations (12th December, and 19th April)

Note:

- Note the quiz dates are tentative, and are subject to change.

- If you are unable to attend, a valid reason together with proof must be provided. The decision is vested ultimately with me.

**Required Reading:**

Michael Parkin & Robin Bade, *Economics: Canada in the Global Environment*, 6<sup>th</sup> edition, Pearson Addison-Wesley

**Supplemental Readings:**

Christopher Ragan and Richard Lipsey, *Economics*, 12th edition, Pearson Addison Wesley

**Approach to the Course:**

You are strongly encouraged to follow the text and notes closely, and advised to attempt all the questions in the text (and perhaps even the supplemental reading) particularly those with answers. You are free to ask me any question regarding the questions and the classes during the office hours, and you are also free to make an appointment to see me outside of those hours. It is beneficial to your experience here if you can form into study groups, it would help you understand and consolidate the subject matter taught. You are expected to think critically, and not merely memorize the details by rote.

**Course Outline:****Introduction to Microeconomics**

1. What is Economics?
  - Definition of Economics
  - Microeconomic and Macroeconomic Issues
  - Economics as a Social Science
  - Economic Way of Thinking
2. The Economic Problem
  - Scarcity and Unlimited Wants
  - Production Possibility Frontier

- Economic Growth
  - Elements of Trade
  - Market Economy
3. Demand and Supply
- Basic Theory
  - Market Equilibrium
4. Elasticity
- Own and Cross Price Elasticity
  - Income Elasticity
  - Taxonomy of Goods
  - Supply Elasticity
5. Efficiency and Equity
- Marginal Benefit and Cost
  - Consumer and Producer Surplus
  - Efficiency and Equity of Markets
6. Markets in Action
- Labor Market
  - Marriage Market\*
  - HealthCare Market\*
7. Output and Costs
8. Perfect Competition
9. Monopoly
10. Monopolistic Competition and Oligopoly
11. Demand and Supply in Factor Markets

12. Public Goods and Taxes

- Private and Public Goods
- Market Failure and Government
- Taxes

13. Competition Policy

14. Externalities

## **Introduction to Macroeconomics**

### 1. Introduction to Macroeconomics

- National Income Accounting
- International Trade Accounting

### 2. Monitoring Cycles, Jobs and Price

- Business Cycle
- Unemployment
- Consumer Price Index and Inflation

### 3. Aggregate Supply and Demand

- Aggregate Supply (AS)
- Long Run AS Curve and Growth
- Short Run AS Curve . Definition and Shift Factors
- Macroeconomic Equilibrium

### 4. Aggregate Expenditure (AE) Model and Expenditure Multipliers

- Short Run Fluctuations in the Level of Economic Activity (Keynesian AE Model)
- Household Consumption Aggregate Consumption
- Expenditure Plans and Gross Domestic Product (GDP)
- Equilibrium Expenditure at a Fixed Price Level
- The Multiplier
- Reconciling the AE and AD-AS Model

### 5. Fiscal Policy, Government Budget and Public Debt

- Fiscal Policy
- Fiscal Policy Multipliers and Price Level
- Supply Side Effects of Fiscal Policy

6. Money, Banking and Interest Rates

- Definition and Functions of Money
- Introduction to Banking
- Canadian Banking
- Demand for and Supply of Money, and How Banks Create Money
- Interest Rates and Expenditure Plans

7. Monetary Policy

- The Bank of Canada/Central Bank
- Controlling Money Stock

8. Fiscal and Monetary Interactions

9. International Trade

- Comparative Advantage and Absolute Advantage
- Gains to Trade
- International Trade Restrictions

10. International Finance

- Foreign Exchange Market
- Exchange Rate Regimes