

Georgia Institute of Technology

School of Economics

Fall 2015

ECON 2101

THE GLOBAL ECONOMY

Tuesday and Thursday 12:05 - 1:25 P.M.

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| <i>Instructor:</i> | <i>Mikhail Klimenko</i> |
| <i>Office:</i> | <i>Old Civil Engineering (CE) building at 221 Bobby Dodd Way, Room 320</i> |
| <i>Office Phone:</i> | <i>404-894-0353</i> |
| <i>E-mail:</i> | <i>Use the e-mail link on the t-square site of this course</i> |
| <i>Office Hours:</i> | <i>Tuesday, 4:30 – 6:15 p.m. and by appointment.</i> |
| <i>Teaching Assistant:</i> | <i>He Zhang <hzhang440@gatech.edu></i> |
| <i>Course Webpage:</i> | <i>Important announcements, some readings materials, and assignments will be posted on the t-square site set up for this course. All students must have access to the site and check it regularly.</i> |

Course Overview

The purpose of this course is to provide students with an overview of the principles of economic analysis. The topics we will cover range from the behavior of "small" economic agents such as individuals and firms (microeconomics) to the behavior of "large" market aggregates (macroeconomics). We will also explore some concepts and examples from international trade and open economy macroeconomics which study the interaction between economic agents and governments in the context of the global economy. Learning economics is not so much a matter of acquiring knowledge of a collection of facts about the economy but rather a process of learning to view behavior and social phenomena through the prism of economic concepts and theories. By the end of the course, you should be able to think as economists – that is, be able to analyze questions involving choices made by individuals, organizations, and society subject to the constraint of scarce resources in a rigorous and logical manner. The methods learned in this course apply to questions ranging from how a tax on a good (say alcohol or gasoline) affects consumer behavior to why couples tend to have fewer children as societies become wealthier.

Learning Goals

Student will demonstrate the ability to describe the social, political, and economic forces that influence social behavior.

The student should demonstrate the ability to analyze economic phenomenon with Clarity, Accuracy, Precision, Relevance, Depth, Breadth, and Logic.

Critical thinking is defined as systematically analyzing and questioning information in a manner that identifies and evaluates problems, processes, values, assumptions, and arguments in order to reach understanding, determine solutions, and initiate actions.

Required Text

The required text for this course is Gregory Mankiw's *Essentials of Economics*, 7th edition published by Cengage. The textbook is available at the Engineers Bookstore bundled with an access code for an online component called **Aplia**. Aplia is a web-based teaching and learning aid that reinforces and clarifies the concepts covered in class through study tools such as animations, graphing simulations, and interactive exercises. Aplia comes with on-line version of the textbook. Aplia is **required** for this course. I will use it for your homework assignments and to provide extra content and learning tools for you.

If you choose not to buy the bundle of the textbook's hard copy and Aplia's access code in the Bookstore, you may purchase only the access to Aplia's software (which comes with e-textbook). To access Aplia's software for this course, connect to <http://login.cengagebrain.com/>, click the *Create a New Account* button, and enter your course key when prompted: **RGHU-E5WE-RQ6C**. (It is important that you use your GT e-mail address to create an account at cengagebrain.com.) Continue to follow the on-screen instructions.

Reading assignments and lectures

I will follow the textbook for the most part of the course. However, additional reading and simulation assignments (based on the features of the Aplia) may be posted on the Aplia's site. The extent of the daily reading load may vary substantially. There are some weeks in which up to 100 pages are assigned and other class weeks with few page assignments. A wise student will look ahead and try to smooth the reading load.

The Mankiw's book provides a basic coverage of the material for the course. It is the basis for all the problem sets. But it covers only the minimum that you are expected to know. My lectures will presume you have read the book and will focus on extending the material in the book. I may marginally change the sequencing, add/delete chapters and add additional readings or simulation exercises – I will announce this in class if I do. All of this implies that attending class is very important.

Class lectures will emphasize using your economic reasoning to answer economics problems. Hence some material in the reading assignments will not be covered explicitly in class. This should not be interpreted as an indicator of its importance. Rather, scarce classroom time must be allocated judiciously, and, as you will learn in the class, should be devoted to those ideas for which classroom interpretation has the greatest incremental impact.

on your understanding. Thus, much of the material describing plain facts or institutional details that you can learn as easily from the book as from me is neglected in class, but remains an important part of the course.

Online problem sets

There will be home assignments (i.e., problem sets) administered over the Internet using Aplia. You can expect between 9 and 12 home assignments during the semester. I will drop the lowest of your home assignment scores. You will be able to work on the home assignments only after purchasing the on-line access to Aplia. Each assignment will be available online for your use over the period of 9-13 days (depending on the pace of the lectures). You will not be able to work on an assignment once its available time period has expired. Avoid procrastinating: failure to complete an assignment because of computer problems or any other personal reason is not a valid excuse. In this syllabus, I indicated the weeks during which the specific assignments will be due. However, I may change the availability and due dates of the assignments as the course progresses. *It is your responsibility to find out when assignments are due.*

While some of the questions in the assignments allow you multiple attempts at answering them, other allow you to make only one attempt at giving an answer. The scores for your answers to these single-attempt questions will be given to you after the submission deadline. Please don't forget to press the "Submit Answer" button after you are done answering the question. Note that although Aplia will not give you the grade and the correct answer for the single-attempt questions immediately after you press the "Submit Answer" button, you can still change your answers to these questions and resubmit them at any time before the assignment deadline.

Course organization and student responsibilities

Despite the lack of formal prerequisites for this class, I expect you to have some knowledge of algebra and graphs. Some very elementary calculus (e.g., derivatives of simple functions) is helpful but not essential.

Attendance is expected. You are virtually guaranteed to do poorly if you skip classes. This is a difficult course with a large amount of conceptual and analytical material that builds up very fast -- it is easy to fall behind and get overwhelmed. You are responsible for all material, including topics covered in class that are not in the book or are treated differently from the book.

I will send you frequent e-mail messages and/or make announcements on the t-square site. These will inform you about homework assignments, additional reading materials, clarification of something that came up in class etc., so please get into the habit of checking your e-mail regularly.

E-mail caveat: Due to the large number of electronic messages, it will often not be possible for me to respond to individual electronic queries. Therefore, I urge you to be selective in sending me electronic mail, t-square messages, and etc. If you have questions, it would be best if you talk to me immediately after class or during the office hours.

Grading

75 percent of your final grade will be based on three in-class midterm examinations and a cumulative final, weighted equally. However, the lowest of these four exam scores will be dropped. The remaining 25 percent of

your grade will be based on the online problem sets, which will only be available on the Aplia's site of the course. All examination dates and deadlines for completing problem sets will be announced in class.

All examinations will consist of multiple-choice and short answer questions and problems. Midterm examinations will cover the material covered since the previous examination. The final examination is a *comprehensive* examination.

For each assignment you will receive an absolute and a standardized score. The final grade will be calculated by taking the weighted average of your standardized scores for the assignments. The cutoff for an 'A' will be one-half standard deviation. The cutoff for a 'C' will be minus one-half standard deviation. 'B' will be between the cutoffs.

If you are taking the class pass/fail, you need to obtain a 'C' in the class to get a satisfactory grade.

Based on the three midterm examinations and the problem sets, I will post your total score and grade for the course on December 2nd. If you are satisfied with your grade after the first three midterm examinations, you may skip the final examination. If you are not happy with your grade, you can try to improve it by taking a three-hour comprehensive final examination (i.e., the final will be based on all the material covered during the semester). You will have to let me know by Friday, December 4th if you are going to take the final.

Note: Because I drop the score of one of your examinations, there will be no make-up tests given, except under *extreme extenuating circumstances*. Be prepared to document the reason of your absence (by a note from the Dean of Students) and advise me ahead of time if possible.

I drop the lowest score in each grading component of this course, to allow for circumstances that do not classify as "extreme extenuating circumstance." Please use this flexibility wisely as I do not offer make-up assignment/exams for any other reasons.

Accommodations through ADAPTS

Georgia Tech offers accommodations to students with disabilities. Please contact the ADAPTS office if you require such accommodation. If you already have a letter from the ADAPTS office approving specific accommodations, please be sure to give me a copy of that letter.

Class Schedule and Reading Assignments. (Subject to change as the course progresses.)

| Weeks | Dates | Reading assignments |
|-------|--------------|---|
| 1 | August 18 | Introduction. Fundamental Concepts and Methods of Economics <ul style="list-style-type: none">Chapter 1: Ten Principles of Economics.Chapter 2: Thinking Like an Economist.<ul style="list-style-type: none">This chapter will not be discussed in class but you should make a special effort to read on your own pages 21-37 and the Appendix, pages 40-48. For the later chapters, the material in this appendix will be very important as we will extensively use graphs and numbers. Supply and Demand I: How Markets Work <ul style="list-style-type: none">Chapter 4: The Market Forces of Supply and Demand |
| | August 20 | |
| 2 | August 25 | <ul style="list-style-type: none">Chapter 5: Elasticity and Its Application.Chapter 6: Supply, Demand, and Government Policies. <i>Problem set 1 (Problem sets are based on the chapters covered during the previous week and are due on Sunday of the current week at 11:45 PM.)</i> |
| | August 27 | |
| 3 | September 1 | Supply and Demand II: Markets and Welfare <ul style="list-style-type: none">Chapter 7: Consumers, Producers, and the Efficiency of Markets. <i>Problem set 2</i> |
| | September 3 | |
| 4 | September 8 | <u>Time permitting.</u> Chapter 8: Application: The Costs of Taxation. <i>Problem set 3</i> |
| | September 10 | |
| 5 | September 15 | The Economics of the Public Sector <ul style="list-style-type: none">Chapter 10: Externalities. |
| | September 17 | |
| 6 | September 22 | <ul style="list-style-type: none">Chapter 11: Public Goods and Common Resources. <i>Problem set 4</i> |
| | September 24 | |
| 7 | September 29 | Firm Behavior and the Organization of Industry <ul style="list-style-type: none">Chapter 12: The Costs of Production. <i>Problem set 5</i> |
| | October 1 | |
| 8 | October 6 | <ul style="list-style-type: none">Chapter 13: Firms in Competitive Markets. <i>Problem set 6</i> |
| | October 8 | |
| 9 | October 13 | Recess <ul style="list-style-type: none">Chapter 14: Monopoly. <i>Problem set 7</i> |
| | October 15 | |
| 10 | October 20 | <u>Time permitting</u> <ul style="list-style-type: none">Chapter 3: Interdependence and Gains from Trade.<ul style="list-style-type: none">This chapter will not be discussed in class but you should make a special effort to read it on your own.Chapter 9: Application: International Trade. <i>Problem set 8</i> |
| | October 22 | |

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| 11 | October 27 | Introduction to Macroeconomics. Measuring National Income and the Cost of Living <ul style="list-style-type: none"> Chapter 15: Measuring a Nation's Income. |
| | October 29 | |
| 12 | November 3 | <ul style="list-style-type: none"> Chapter 16: Measuring the Cost of Living. The Real Economy in the Long Run <ul style="list-style-type: none"> Chapter 17: Production and Growth. <p style="text-align: right;"><i>Problem set 9</i></p> |
| | November 5 | |
| 13 | November 10 | <ul style="list-style-type: none"> Chapter 18: Saving, Investment, and the Financial System. <p style="text-align: right;"><i>Problem set 10</i></p> |
| | November 12 | |
| 14 | November 17 | Money and Prices in the Long Run <ul style="list-style-type: none"> Chapter 21: The Monetary System. <u>Time permitting</u> <ul style="list-style-type: none"> Chapter 22: Money Growth and Inflation <p style="text-align: right;"><i>Problem set 11</i></p> |
| | November 19 | |
| 15 | November 24 | Midterm III |
| | November 26 | <i>Official School Holiday</i> |
| 16 | December 1 | Review |
| | December 3 | |
| 17 | | Final Examination |