

Department of Economics  
University of California, Berkeley

Professor Kenneth Train  
Fall Semester 2011

## ECONOMICS 1: INTRODUCTION TO ECONOMICS

Lectures: Mondays and Wednesdays, noon-1 pm, Wheeler Auditorium

Professor: Kenneth Train, 659 Evans Hall, Office hours: Mondays and Wednesdays 1-2 pm  
<http://elsa.berkeley.edu/~train>, email: [train@econ.berkeley.edu](mailto:train@econ.berkeley.edu).

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Textbook: Principles of Economics, 9<sup>th</sup> or 10<sup>th</sup> edition, by Karl Case, Ray Fair, and Sharon Oster. Either edition is fine: reading are given for both editions in the syllabus. The MyEcon Software and study guides are NOT needed. The textbook is available at ASUC and local bookstores and at [www.cTextbook.com](http://www.cTextbook.com) and other online bookstores.

Course website: <http://elsa.berkeley.edu/~train/ec1.html>

Slides for lectures: A booklet of the lecture slides (265 pages with 2 slides per page) is available for about \$7 from Fast Imaging, 2022 University Ave, between Shattuck and Milvia, 510-845-6333. They are also available as pdf files that can be downloaded from the course website. You may find it useful to bring the copies to class and write your own notes on them.

Webcast: The lectures will be video podcast through <http://webcast.berkeley.edu> . Please resist the temptation to use the podcasts as a substitute for the live lectures. If you wanted an online course you could have gone to U Phoenix instead of UC Berkeley!! So take advantage of what you are here for.

**IMPORTANT**: If you are enrolled (as opposed to being on the waitlist), then be sure to attend your assigned discussion section meetings at least once during the first week of classes in order to stay enrolled. If it is impossible for you to attend, let the graduate student instructor (GSI) for your assigned section know that you want to remain in the course. Otherwise the GSI will "mark" your name on the class list, which means that your space will be given to someone else.

Dropping the Course: If you are enrolled and do not want to take the course, you need to officially drop the course through TELEBEARS. To drop, it is NOT sufficient simply to miss section such that your GSI "marks" you. By a strange twist of TELEBEARS logic, being "marked" keeps you from taking the course but does not drop you from the course. If you are "marked" but don't drop, you end up receiving an F for the course.

Changing Sections: To change sections, use the Switch Sections option in TELEBEARS. Do NOT drop the lecture and then try to re-add it, because you will not be able to re-add it.

Sections: Economics 1 is a four unit course. In addition to the two hours of lecture each week, you are expected to attend your assigned section, which meets twice a week for one hour. Graduate student instructors (GSIs) teach the sections under Prof. Train's supervision.

Problem sets: There will be five problem sets. The problem sets will be handed out in lecture (on days marked with a \* on the lecture schedule.) They will be due in section about one week later. Problem sets will be graded only on the basis of whether or not you turn in answers in your own words -- not whether your answers are correct. You must turn in your problem set answers, written in your own words, to obtain credit for them.

Grading: Your course grade will be based on: Problem sets, 5%; First midterm, 25%; Second midterm, 25%; Final exam, 45%. Grading will be entirely separate for each GSI. Each GSI will grade the exams and problem sets, develop a curve, and assign course grades for his/her own students, subject to Professor Train's supervision and approval. Scores will not be compared across GSIs due to the fact that different GSIs teach and grade differently. It is expected that each GSI will give about 25% of his/her students A's of some kind, 35% B's of some kind, and the rest C's or below.

Pass/Not Pass: This course may be taken Pass/Not Pass, if you are otherwise free to do so. Pass/Not Pass students are expected to do the same work as graded students. If their final course grade is a C- or better, they will be awarded a Pass. Note: If you are planning to declare Economics as your major, you must take Economics 1 for a letter grade.

Midterm Exams: There are no make-up midterms. Students who miss midterms with reasons meeting University standards (that is, for reasons beyond their control) will have their other exams and problem sets weighted proportionately more. Reasons must be approved by the Head GSI.

Final Exam: The final exam for this course is scheduled for **Tuesday, Dec. 13, 11:30am-2:30pm**. There will be no make-up final. If you know at this time, or anticipate the possibility, that you cannot take the final at the scheduled time, you should not take the course. If you miss the final exam for reasons beyond your control, you will (upon showing of documentation and approval by the department chair) receive an Incomplete for the course. Conflicts with recruitment interviews, sporting events, and musical performances will not be considered a reason beyond your control for missing the final exam and do not constitute a basis for rescheduling the final exam, proctoring of the exam at an alternative location, or receiving an Incomplete. If you are assigned an Incomplete, the Incomplete is completed by taking the final exam of a subsequent Economics 1 class within the University's required period of time.

Learning goals. As part of Berkeley's Undergraduate Student Learning Initiative (USLI), the Economics Department has developed learning goals for the Economics major, which are listed at [http://emlab.berkeley.edu/econ/ugrad/ugrad\\_goals.shtml](http://emlab.berkeley.edu/econ/ugrad/ugrad_goals.shtml). All instructors have been asked to identify which of these listed goals are relevant to their classes. Pursuant to this request, the specific learning goals for this course include:

CT1. Apply economic analysis to evaluate everyday problems.

CT2. Apply economic analysis to evaluate specific policy proposals.

PS1. Solve problems that have clear solutions.

LL3. Understand and evaluate current economic events and new economic ideas.

## LECTURE SCHEDULE AND READINGS

The number in brackets is the lecture number in the booklet of slides.

### Microeconomics

- [1] Mon. Aug. 29: Organization of Course; Introduction to Field (Either edition: Ch. 1 and 2)  
[2] Wed. Aug. 31: Demand and Supply (Either edition: Ch. 3)  
Monday, Sept. 5: NO CLASS: Labor Day  
[3] Wed. Sept. 7:\* Demand and Supply, continued (Either edition: Ch. 4 and 5)  
[4] Mon. Sept. 12: Consumer Choice (Either edition: Ch. 6, not the appendix.)  
[5] Wed. Sept. 14: Costs of Production (9<sup>th</sup> ed: pp. 135-139, 155-166; 10<sup>th</sup> ed: pp. 147-151, 167-178)  
[6] Mon. Sept. 19: Competition, part 1 (9<sup>th</sup> ed: pp. 167-173, 178-180, 183-184; 10<sup>th</sup> ed: pp. 179-185, 190-192, 194)  
[7] Wed. Sept. 21:\* Competition, part 2 (Either edition: Ch. 12)  
[8] Mon. Sept. 26: Monopoly (9<sup>th</sup> ed: pp. 261-277; 10<sup>th</sup> ed: pp. 269-285)  
[9] Wed. Sept. 28: Monopolistic Competition and Oligopoly (Either edition: Ch. 14 and 15)  
[10] Mon. Oct 3: Regulation of Natural Monopolies (No readings)  
Wed. Oct. 5: **Midterm Exam #1**, covering material through lecture on Sept. 26.  
[11] Mon. Oct. 10: Antitrust Regulation (9<sup>th</sup> ed: pp. 277-279; 10<sup>th</sup> ed: pp. 285-287)  
[12] Wed. Oct. 12:\* Externalities (9<sup>th</sup> ed: pp. 319-332; 10<sup>th</sup> ed: 329-341)  
[13] Mon. Oct. 17: Public Goods (9<sup>th</sup> ed: pp. 332-341; 10<sup>th</sup> ed: pp. 341-349)  
[14] Wed. Oct. 19: Factor Markets (Either edition: Ch. 10 and 18)  
[15] Mon. Oct. 24: Time and Uncertainty (Either edition: Ch. 17)

### Macroeconomics

- [16] Wed. Oct. 26: Overview of Macroeconomics (9<sup>th</sup> ed: Ch. 20, pp. 417-419, 426-431, Ch. 22; 10<sup>th</sup> ed: Ch. 20, pp. 423-425, 432-437, Ch. 22)  
[17] Mon. Oct 31: Aggregate Expenditure & Equilibrium Output (Either edition: Ch. 23 including both appendices)  
[18] Wed. Nov. 2:\* Government Spending: Fiscal Policy (Either edition: Ch. 24 including both appendices)  
[19] Mon. Nov. 7: Money Supply and Demand: Monetary Policy (Either edition: Ch. 25 and 26, not the appendices)  
[20] Wed. Nov. 9: Fiscal and Monetary Policy Combined (9<sup>th</sup> ed: pp. 531-539; 10<sup>th</sup> ed: pp. 541-548)  
[21] Mon. Nov. 14: Inflation: Aggregate Demand and Supply (9<sup>th</sup> ed: pp. 539-543 and Ch. 28; 10<sup>th</sup> ed: pp. 549-553 and Ch. 28)  
Wed. Nov. 16: **Midterm Exam #2**, covering material through lecture on Nov. 9.  
[22] Mon. Nov. 21:\* Trade and Comparative Advantage (Either edition: Ch. 34.)  
Wed. Nov 23: NO CLASS: Thanksgiving break.  
[23] Mon. Nov 28: Exchange Rates and Balance of Payments (Either edition: Ch. 35 not the appendix.)  
[24] Wed. Nov 30: Review