ECN 1A teaches the core concepts of economics.

First how an economy composed of self-interested consumers and firms will behave – how the market transmits signals from millions of consumers that determine what is produced, and what the incomes of the various producers are. It also explains why in the economic sphere assuming self-interest is warranted.

Second it teaches how we can evaluate the performance of economies, and that the free market will typically achieve some social goals but not others.

Lastly we consider how to improve the functioning of markets while leaving them largely free of regulation. ECN 1A thus provides the intellectual justification for "capitalism" as a social system, and for the American way of life!

Text: None! The standard Intro texts are ridiculously overpriced. And the way this class works you will not need to have such a text. We will develop some simple concepts, as in algebra, and see how they can be applied widely to analyze all economic issues. There will be very little memorization of terms and formulas.
As a backup, I have listed on the syllabus many free internet sources on the key concepts. And if you want a text as a backup to refer to, get a cheap second hand Intro Micro text from Amazon. You should not need to spend more than $10. All the internet material will be accessible on my web page.

**Lectures:** Attending class and section is VITAL to performing well in this class. Deliberately I do not post slides from the lectures unless the material has complicated numbers, and I do not post lecture notes. You get the content by attending. And the lectures are straight forward enough that if you do attend you will get the essence.

**Class Requirements:**

<table>
<thead>
<tr>
<th>Task</th>
<th>When</th>
<th>Share of Course Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online Problems</td>
<td>Weekly</td>
<td>10%</td>
</tr>
<tr>
<td>Midterm 1</td>
<td>Tues, April 29, in Class</td>
<td>20%</td>
</tr>
<tr>
<td>Midterm 2</td>
<td>Tues, May 20, in Class</td>
<td>20%</td>
</tr>
<tr>
<td>Final</td>
<td>Tues, June 10, 6-8 pm</td>
<td>50%</td>
</tr>
</tbody>
</table>

Each midterm score will only be counted if it improves your final grade. Thus if you have to miss a midterm for any reason that is not a problem. If you are not available for the scheduled final exam, or the midterms, then do not take this class. There will be no make-up exams.

The graded homework problems are available online from Sapling Learning. The cost is around $30. Each problem set will have an announced due date for credit for the class. The TAs will use these problems as the basis of discussion sections. Doing the problems is essential to doing well in the exams for this class.

To register with Sapling for this class the instructions are:

1. Go to [http://saplinglearning.com](http://saplinglearning.com)
2a. If you already have a Sapling Learning account, log in then skip to step 3.

2b. If you have Facebook account, you can use it to quickly create a SaplingLearning account. Click the blue button with the Facebook symbol on it (just to the left of the username field). The form will auto-fill with information from your Facebook account (you may need to log into Facebook in the popup window first). Choose a password and time zone, accept the site policy agreement, and click "Create my new account". You can then skip to step 3.

2c. Otherwise, click "Create account". Supply the requested information, including your UC Davis ID Number, and click "Create my new account". Check your email (and spam filter) for a message from Sapling Learning and click on the link provided in that email.


4. Select a payment option and follow the remaining instructions.

**TAs:** There are 3 TAs for the class. As with the lectures attendance at the TA sections is optional. But if you want to do well, you will attend each one. The TAs will each have 2 hours of office hours per week, and you should feel free to visit any of them in office hours if you need assistance.

**Grading:** The Economics Faculty have set a norm of a 2.4 GPA for ECN 1A and 1B courses. Thus the class will be graded on a curve, with 2.4 as the average GPA.

**Office Hours:** I have two hours per week of office hours specifically for this class. Those before each exam will be packed. But if you have questions about the class concepts then the other times I will be mostly there on my own, and happy to help.
COURSE OUTLINE

I do not list a topic by day, because I never know exactly how quickly I will proceed. That is why you need to come to class to get the daily update on what problems you should be doing, and readings you should be looking at. Under each heading is listed some internet resource.

A. Overview

1. Introduction – what does the capitalist economy look like?

   Slides from Lecture 1
   Income Inequality in the United States (Poorly written piece in Wikipedia, but with a lot of interesting statistics).

2. Basic Ideas in Economic Analysis

   Positive, Normative, Efficiency, Equity, Opportunity Cost, Marginal Cost

   Summary of Definitions
   Positive Economics
   Normative Economics
   Efficiency (ignore the part “Use in Engineering”)
   Consequences of Efficiency – Milton Friedman
   Production Possibilities Frontier
   Opportunity Cost
   Opportunity Cost 2

3. Simple Competitive Market

   Demand/Supply Curves, Price Determination, Producer/Consumer Surplus

   Overview – Demand and Supply
   Demand Curves
   Demand Curves
   Demand Curve = Marginal Benefit Curve
   Law of Demand

   Supply Curves
   Factors Affecting Supply
   Law of Supply

   Market Equilibrium
Changes in Market Equilibrium
Consumer Surplus Introduction
Total Consumer Surplus as Area
Producer Surplus

4. Intervention in Simple Competitive Markets

Price, Quantity Controls, Taxes, Deadweight Loss, Rent Seeking

- Price Ceiling
- Price Floor
- Deadweight Loss
- Price Ceiling and Deadweight Loss
- Price Floors – Minimum Wage
- Taxes and Deadweight Loss

5. The Labor Market and the Problem of Unemployment

- Sticky Wages
- Sticky Wages and the Macro Story
- Frictional Unemployment
- Effects of Recessions on Lifetime Prospects

B. Fundamentals of Demand and Supply

6. The Determination of Demand Curves

Describing Demand

- Economics Online - Price Elasticity of Demand
  (Complete description)
- Price Elasticity of Demand (Khan Academy – step by step introduction – slow! – see also a whole set of other videos listed on the page on the elements of demand elasticity)
- Income Elasticity of Demand (Complete Description)
- Income Elasticity of Demand (Elementary – slow!)

Deriving Demand Curves

- Indifference Curve Analysis
- Consumer Choice through Indifference Curves
7. **Firms: Profit Maximization**

Accounting versus Economic Profit

*Accounting vs. Economic Profit* (Khan Academy - clear but slow!)

Profit Maximization Assumption

*Goals of Corporations* (pages 12-17 of this chapter)

Rule for Profit Maximization - Marginal Revenue = Marginal Cost

Firm Costs

*Types of Costs*

*Fixed, Variable and Marginal Costs* (Khan Academy - clear but slow)

*Economies of Scale* (Economics Online)

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8. **Monopoly Producers**

*Monopoly Producers* (Economics Online)

Profit Maximization

*Khan Academy - Total Revenue* (clear but slow)

*Khan Academy - Marginal Revenue* (clear but slow)

*Profit Maximization under Monopoly*

Deadweight Loss

*Monopoly Deadweight Loss* (goofy but correct)

*Khan Academy - Monopoly Deadweight Loss* (slow)

Price Discrimination

*Price Discrimination (basics)*

*Price Discrimination (same concepts but different terminology - will explain in class)*

*Example of Retail Price Discrimination*

Monopolistic Competition

*Monopolistic Competition (economics online)*
9. Firms under Perfect Competition

   Perfect Competition (Economics Online)
   Perfect Competition - short run (video summary - goofy, but fast and correct)
   Perfect Competition - long run (video summary - again goofy, but fast and correct)

C. Government

10. The Economic Theory of Government

11. Externalities

   Externalities (Economics Online)