

Principles of Economics

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Introduction

This Principles of Economics course is designed to get prospective SAIS students up to speed with the basics of economic theory that underpin the main economics courses you will take at SAIS: International Economics I (a combination of intermediate microeconomics and international trade theory) and International Economics II (a combination of intermediate macroeconomics and international monetary theory). The goal is to provide students with the core knowledge needed in these as well as more advanced economic courses at SAIS. More generally, this course will also help students become informed consumers of economically oriented news from outlets like The Financial Times, The Economist, and The Wall Street Journal. Think of this as a course in economic literacy – which then feeds into more detailed material for those who are interested.

Learning Objectives

By the end of this course, you will be able to:

- Use microeconomic supply and demand analysis to assess the consequences of government policy;
- Explain consumers' and producers' decision-making processes and identify their optimal outcomes;
- Contrast the outcomes produced by different market structures;
- Define and use core macroeconomic concepts like GDP, unemployment, interest rates, and inflation;
- Show how open economies are interdependent with one another;

Course Structure

The course is broken into eight modules, followed by a final exam. Modules release on a weekly schedule, during which the students can watch the recorded lectures, engage in discussions, do practice problems, and ultimately complete the final assessment quiz for the week. module will open at 6:00 am on Monday morning. When the module opens, you will have access to all the lectures, problem sets (and answers), and quizzes. All required work in each module must be completed by 11:59 pm on the Sunday of the module. All times are US Eastern.

The primary content for the course is a series of recorded mini-lessons averaging about 12 minutes long. It is strongly recommended that you take notes during the lectures. Each module also comes with a set of practice problems and answers. The idea is for you to use these as a means of practicing the material and testing yourself – they are essential to your success! After the end of each module, the answers to the previous week's quiz become available (with explanations). *Make sure to go through these!* The module quizzes are effectively a form of lightly assessed practice: use them as additional preparation for the final examination

There are supplemental textbook references for the course as well, based on N. Gregory Mankiw's *Principles of Economics*. The textbook is not required as all of the course content that will be tested is provided in lecture videos; however, it can be useful as a 'backup' resource.

Overall, the class should take up roughly 5-10 hours per week. 5 hours is about the minimum time required to complete the lectures, skim the text, briefly investigate the practice material, and take the quiz. 10 hours should provide more than enough time to answer all practice questions in more depth, re-watch tricky lessons, and engage with me or the TA. All of the knowledge required for the quizzes and final exam will be contained in the recorded lessons – and assessments especially focus on the material also covered in the practice problems and problem sets.

The general structure of the course is as follows (further information will be provided in a full syllabus closer to the beginning of the course):

Course Outline

Module 1: Supply and Demand (Micro I)

- In this module, students will learn to conceptualize and graph supply and demand curves, as well as find equilibria for individual markets

Module 2: Policy Analysis (Micro II)

- In this module, students will learn to identify consumer and producer surplus and assess the impact of various government policies on overall welfare (i.e., partial equilibrium welfare analysis)

Module 3: Consumer Theory (Micro III)

- In this module, students will learn to interpret indifference curves and the process of constrained optimization, explaining how *homo economicus* theoretically determines what to consume

Module 4: Theory of the Firm (Micro IV)

- In this module, students will learn to differentiate between the costs firms face over the short and long run, as well as calculate how a firm will maximize profits when operating under perfect competition

Module 5: Market Structures (Micro V)

- In this module, students will learn to assess the welfare cost of market power, in addition to contrasting the profit-maximizing processes of firms under monopolistic (and monopolistically competitive) market structures with those under perfect competition.

Module 6: Output, Unemployment, and Inflation (Macro I)

- In this module, students will learn to conceptually define, calculate, and critically evaluate three key domestic macroeconomic variables: GDP, unemployment, and inflation.

Module 7: Interest and Exchange Rates (Macro II)

- In this module, students will learn to conceptually define, calculate, and critically evaluate two key macroeconomic variables involved in international economic relations: interest rates and exchange rates.

Module 8: Fiscal Policy, Monetary Policy, and the Balance of Payments (Macro III)

- In this module, students will learn to differentiate between fiscal and monetary policy tools, as well as briefly characterize how national economies interact with one another through the balance of payments (i.e., trade and capital flows).

Module 9: Final Examination

- The course concludes with a final examination covering the whole course.