

Econ 2 - Elements of Economics II, Spring 2007

2-2:50 p.m., MWF, Center 109

Instructor: Andra Ghent, e-mail: aghent@ucsd.edu

Teaching Assistants:

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Office Hours:

Suyong	Mon.	5 - 6 p.m.	ECON119
Andra	Fri.	3 - 4 p.m.	SH237
Shirley	TBA	TBA	TBA

Course Description: This course is the sequel to Econ 1. In Econ 1, we studied how consumers and firms interact in perfectly competitive markets. In this course, we will start by studying equilibria in imperfectly competitive markets as well as market equilibria that are inefficient due to externalities or asymmetric information.

Two major trends in the U.S. economy in recent decades are dramatic increases in health care costs and a growing concern for how our decisions affect the environment. We will use our understanding of asymmetric information to understand health care delivery and of externalities to study policies that lead to more efficient outcomes when individuals' decisions affect the environment.

Another major development in the U.S. over the last thirty years is the increasing gap between the rich and the poor. For instance, between 1971 and 2001, the average real income of the poorest 20% of U.S. households grew by 26% while the average real income of the richest 20% of U.S. households grew by 99%, i.e., it almost doubled! To try to understand why this has happened, we will study the determinants of the distribution of income and the effect of government policy on the distribution of income. We will also study the effect of government policy on poverty.

Finally, we will turn our attention to international economics, first studying international trade and then how financial markets mediate international capital flows.

Prerequisite: The prerequisite for this course is Econ 1.

Required Course Materials: The textbook is *Principles of Economics*, 3rd ed., by Robert Frank and Ben Bernanke. In addition to the textbook, this course requires Aplia access. You may purchase both Aplia access and the textbook from Aplia's website (www.aplia.com) or through the bookstore. You may also purchase a stand-alone Aplia Access card from the bookstore. Please see the attached instruction sheet on how to sign up for Aplia and sign up as soon as possible. The course key is SELX-DANG-7U5Q.

Class Web Page: Hosted by Aplia.

Grading: There will be weekly assignments, two midterm exams, and a final. They will count toward the grade as follows:

Assignments	20%
Midterm 1	20%
Midterm 2	20%
Final	40%.

Exams: The midterm exams will be in class on *Monday, April 30th* and *Wednesday, May 30th*. The final exam is on *Monday, June 11th, 3-6 p.m.*. Midterm 1 will cover the material in chapters 10-12 including the appendix of chapter 10. Midterm 2 will cover the material in chapters 9, 13, 14, and 15. The final will be cumulative. There will be no makeup midterm exams. If you miss a midterm for a legitimate, verifiable reason (e.g., medical), your grade for that midterm will be your grade on the final. If you miss a midterm for some other reason, your grade for that midterm will be zero.

Graphing calculators are not allowed during exams. You may use basic scientific calculators. Cell phones and PDAs must be turned off during exams. Please bring your student ID card to class on the day of a midterm as well as to the final. Any student caught cheating during an exam will receive a grade of zero for that exam and will be reported to the UCSD Academic Integrity Coordinator for further disciplinary action. Please familiarize yourself with UCSD's academic integrity policy:

<http://www-senate.ucsd.edu/manual/appendices/app2.htm>.

Regrades: We will make every effort to ensure that grading is fair and consistent across students. However, if you believe an error was made in grading your exam, you may ask for a regrade provided you wrote the exam in pen. *No exams written in pencil are eligible for a regrade.* You must request a regrade from Shirley or Suyong *within one week of when the exams are returned*. Please be aware that if you ask for a regrade, Shirley and Suyong reserve the right to regrade the entire exam and, as such, your total score may fall if errors in your favor were made in grading some parts of the test.

Homework: The key to mastering the material in this course is doing problems. At a minimum, the course requires you to complete and submit weekly homework assignments through Aplia. Each week's assignment is due at *11 p.m. on Sunday night* and will include a problem set and, occasionally, some questions based on a short newspaper article. The first assignment is due Sunday, April 8th. *You are responsible for remembering to turn these assignments in. Aplia will not accept late problem sets.* Ungraded practice problem sets will also be available online.

The graded homework is out of 196 points. I will drop 46 points such that your score for the homework is $\min(100\%, \text{YourScore}/150)$. This gives you 46 "get out of jail free" points which you can use either to get the highest grade possible or if you miss a homework assignment or two for whatever reason.

I am also assigning questions from the "problems" sections of the textbook (see below). These questions will not be graded but Shirley and Suyong will review the answers during your tutorial section. Finally, I highly recommend you complete the "in-chapter" and "in-appendix" exercises in the textbook as you are reading the chapters.

Tutorials: You are not required to attend section. However, attendance will improve your understanding of the material. The tutorials will be most useful for you if you try to complete the problems on your own beforehand. Shirley and Suyong will review the following material during the tutorials:

April 6th	Ch.10 problems 1, 2, 8, and 9
April 13th	Ch.10 problem 10 and Ch.10 Appendix problems 1 and 2
April 20th	Ch. 11 problems 7, 9, and 10
April 27th	Ch.12 problems 3, 4, 6, and 10
May 4th	Solution to Midterm 1
May 11th	Ch.13 problem 10 and Ch. 15 problems 6-8
May 18th	Ch.14 problems 4 and 8-10
May 25th	Ch.9 problems 6 and 8-10
June 1st	Solution to Midterm 2
June 8th	Ch. 24 problems 2, 3, and 5

Tentative Class Schedule:

Mon., Apr. 2nd	Introductions and Course Overview
Wed., Apr. 4th	Ch.10 - Monopoly and Other Forms of Imperfect Competition
Fri., Apr. 6th	Ch.10 continued
Mon., Apr. 9th	Ch.10 continued
Wed., Apr. 11th	Ch.10 continued
Fri., Apr. 13th	Ch.11 - Strategic Choice
Mon., Apr. 16th	Ch.11 continued
Wed., Apr. 18th	Ch.11 continued
Fri., Apr. 20th	Ch.12 - Externalities and Property Rights
Mon., Apr. 23rd	Ch.12 continued
Wed., Apr. 25th	Ch.12 continued
Fri., Apr. 27th	Ch. 13 - The Economics of Information
Mon., Apr. 30th	Midterm 1 (covers chs. 10 + appendix, 11, and 12)
Wed., May. 2nd	Ch.13 continued
Fri., May 4th	Ch.15 - The Environment, Health, and Safety
Mon., May 7th	Ch.15 continued
Wed., May 9th	Ch.15 continued
Fri., May 11th	Ch.14 - Labor Markets, Poverty, and Income Distribution
Mon., May. 14th	Ch.14 continued
Wed., May 16th	Ch.14 continued
Fri., May. 18th	Ch.9 - International Trade
Mon., May. 21st	Ch.9 continued
Wed., May. 23rd	Ch.9 continued
Fri., May. 25th	Ch.9 continued
Mon. May 28th	No class (Memorial Day)
Wed., May 30th	Midterm 2 (covers chs. 13, 14, 15, and 9)
Fri., June 1st	No lecture; tutorials will still be held
Mon., June. 4th	Ch.24 - Financial Markets and International Capital Flows
Wed., June. 6th	Ch.24 continued
Fri., June 8th	Ch.24 continued