The analytical emphasis of this course will be to stimulate thought and succinct discussion; the primary skills that you will be expected to acquire are research skills.

The practical emphasis will be on the interaction between theory and policy – with particular attention paid to the power and failings of markets as social organizers. Each session will involve a discussion of some aspect of current policy options – including the Global Financial Crisis. Come along prepared to contribute to these discussions.

We will be covering the textbook topics plus two special topics: the Global Financial Crisis and Austrian School microeconomics (further reading will be allocated week by week). We will cover these topics in the sequence that they are listed – but the time devoted to each section will vary. The assessment will reflect the time that we have devoted to each topic. The mid-term exam will reflect the material we have covered – we may not cover all the topics listed below.

Each week you will be directed to additional resources and reading (some illustrative material from the quality press). You should read the Economist each week, plus the Wall Street Journal and the New York Times most days.

Lectures will not be a rehash of the textbook, but will include a good deal of additional information.

The notes you take during class lectures will help you prepare for homework assignments and exams and identify which topics from the textbook are most important.

It is vitally important that you read each chapter of the textbook thoroughly before class. The classes will not be spoon-feeding you through the material but instead will be focusing on elaboration, making connections between the tools and real world problems and ENCOURAGING YOU TO ACQUIRE RESEARCH SKILLS. This is the most important skill that I wish you to take away from this course: the ability to think independently, in an organized and confident fashion and to undertake research.


Assessment:
This will be decided in class. In previous years the class chose:
3500 word essay 40%
6 HWs (best 5 count): 20%
Mid-term: 40%
Our Econ 1A course website is available at http://coursework.stanford.edu. Once you have registered for Econ 1A in Axess, you will automatically be registered in coursework. All homework assignments, answer keys, handouts and supplementary readings will be available on coursework, so it is important that you check it – plus your emails - frequently. The coursework website will also provide information about office hour times and locations.

**Honor Code**
All students enrolled in this class, regardless of whether or not they are matriculated students, are expected to abide by the Stanford Honor Code. If you are not familiar with the honor code, you should read over the guidelines listed at the following link.

Collaboration on exams and homeworks are violations of the honor code. Students are encouraged to work together on problem sets with each other; however, each student should write out their own separate answers.

**Students with documented disabilities**
Students who have a physical or mental impairment that may necessitate an academic accommodation or the use of auxiliary aids and services in a class must initiate a request with the Student Disability Resource Center (DRC). The DRC will evaluate the request along with the required documentation, recommend appropriate accommodations, and prepare a verification letter dated in the current academic term in which the request is being made. Please contact the DRC as soon as possible; timely notice is needed to arrange for appropriate accommodations. The DRC is located at 563 Salvatierra Walk (phone 723-1066 Voice; 725-1067 TTY).

**Economics Department Common Course Policies**
All courses taught in the Stanford Department of Economics are governed by a common set of course management rules. A document explaining these rules is included on our coursework website. Please be sure to read this document in its entirety, and let me know if you have any questions.

**TOPIC 1**
Overview
Economics and world history
Schools of thought: Mercantilism; export surplus
Schools of thought: Classical; Invisible Hand
Schools of thought: Neoclassical variants: British and Austrian, market failure
Schools of thought: Neoclassical variants; Keynesian and Monetarist, the business cycle
Ideology and economics
The price system and economics
Financial crises
Method: Good and bad economics
Readings: explore these topics yourself!!

TOPIC 2
Choice and interaction
Rationality? The Behavioral and neuro-economic alternative
Gains from trade
Specialization
Comparative advantage
Efficiency
The price system: Galbraith, Pigou and Mises
Financial crises and recessions

Readings: Chapter 1 (textbook)

TOPIC 3
Models and empirical evidence
Positive/normative distinction
Gas taxes and behavior
Drug laws
The President’s CEA

Readings: Chapter 2

TOPIC 4
Supply and demand model
What determines demand?
What determines supply?
Equilibrium

Readings: Chapter 3

TOPIC 5
Suppressing and using the Price Mechanism: Price ceilings and floors
Elasticity
Fixing exchange rates

Readings: Chapter 4
TOPIC 6
Consumer behavior
Utility – cardinal (Jeremy Bentham) and ordinal (John Hicks and Lionel Robbins)
Utility maximization?
Budget constraints (and housing loans)
Deriving a demand curve
Income and substitution effects
Price = Marginal benefit
Consumer surplus

Readings: Chapter 5

TOPIC 7
Firms and Supply behavior
Why do firms exist?
What do they maximize?
Market structure
Price = marginal cost
Producer surplus

Readings: Chapter 6

TOPIC 8
Interaction
Coordination and information
Hayek’s contribution
Efficiency
Pareto efficiency
Income inequality?
Deadweight loses

Readings: Chapter 7

TOPIC 9
Costs
Production functions
Marginal and average
Short run/long run
Breakeven/shutdown
Economies of scale/scope
Isoquants

Readings: Chapter 8

TOPIC 10
The rise and fall of industries
Entry/exit
Long run competitive equilibrium
Shifting demand and supply curves
External economies and diseconomies of scale

Readings: Chapters 9

TOPIC 11
Monopoly
Costs and benefits of monopoly
MC = MR
Natural monopolies
Patents and copyrights
Barriers to entry
Price discrimination

Readings: Chapter 10

TOPIC 12
Monopolistic competition and oligopoly
Product differentiation real and imagined
Social costs and benefits of advertising
E. Chamberlin and Joan Robinson; George Stigler and Milton Friedman
Game theory
Duopoly
Cournot equilibrium
Bertrand equilibrium
Collusion
Repeated games

Readings: Chapter 11

TOPIC 13
Anti-trust policies and regulation
The regulation wave
The deregulation movement
Mergers
Natural monopolies
Regulatory capture: Stigler again

Readings: Chapter 12

TOPIC 14
Income Distribution
Labor markets – supply and demand
Real unit labor costs
Human capital
Productivity
Discrimination
Minimum wages

Readings: Chapter 13

TOPIC 15
Taxes and Transfers
What should be taxed? Income or consumption?
The Laffer curve?
Efficiency and equity trade-off?
Transfer payments and the welfare state
Lorenz curve and Gini coefficient
The poverty line

Readings: Chapter 14

TOPIC 16
Public goods and externalities
Non-rivalry and non-excludability
Free rider
Lighthouses and externalities: Pigou and Coase
Tragedy of the Commons: Ostrom
Public choice models of government behavior

Readings: Chapter 15

TOPIC 17
The Global Financial Crisis
Types of capital
The “problem” with financial capital
Financial crises
The “risk management” tradition
Corporate governance
Asymmetric information
Can regulation solve the problem of financial crises?
Readings: Chapter 16

TOPIC 18
Introduction to macroeconomics
Growth
Business cycles
Inflation
Unemployment
Interest rates

Readings: Chapter 17
TOPIC 19
GDP
Spending = Y = C + I + G + X
Income = Y labour, capital, depreciation, taxes, subsidies, transfers, net foreign
Production = Y value added
Real GDP

TOPIC 20
Spending shares
Interest rates (again)

Readings: Chapter 19

TOPIC 21
Unemployment
Labour markets

Readings: Chapter 20

TOPIC 22
Economic growth
Labour, capital and technology
Human capital

Readings: Chapter 21

TOPIC 23
What is money?
The Federal Reserve System
Reserves and deposits
Credit crunches
The quantity theory of money

Readings: Chapter 22

TOPIC 24
Business cycles
The consumption function
45% line
Potential GDP

Readings: Chapter 23

TOPIC 25
Aggregate demand
Readings: Chapter 24

TOPIC 26
Economic policy
Fiscal policy
Rules versus discretion

Readings: Chapter 25, 26

TOPIC 27
Monetary policy
The Fed (again)

Readings: Chapter 27

TOPIC 28
Growth (again)

Readings: Chapter 28

TOPIC 29
International trade
Comparative advantage
Tariffs

Reading: Chapter 29

TOPIC 30
International finance

Readings: Chapter 30