TEXT: You will not be assigned problems from the text, nor will I ask you about material that was not covered in lectures unless specifically indicated. Thus, in principle, any good micro text will work as a reference for the course. However, you may want to refer to one of the two texts noted below, because the course plan will list the chapters that are relevant to each lecture. Both of the texts are by Walter Nicholson:

- Intermediate Microeconomics and Its Application (designated IM)
- Microeconomic Theory: Basic Principles and Extensions (designated MT)

IM uses less mathematics than we will use in the course. It is, however, generally well-written and provides good intuitive explanations of the material, and will be useful for those who have not had microeconomics before. The MT text uses a higher level of mathematics; it is suitable for those students who have already had an intermediate microeconomics course.

Lecture outlines, problem sets and solutions, and supplemental handouts will be posted on the Compass site. Course announcements will also be posted there. Please check the Compass site regularly.

The course will make extensive use of supplemental readings. In the first portion of the course, these will mainly be newspaper articles from the Wall Street Journal or similar sources. These articles will be provided on Compass in advance of the class in which they will be discussed.

COURSE OBJECTIVES:

Economics is the intellectual foundation for the field of finance. This course is designed to give you a strong understanding of the theory and logic of microeconomics, and an overview of some topics in macroeconomics, as they relate to the study of financial markets.

Part I of the course, “Why Markets Work,” focuses on competitive markets. Financial markets are among the most competitive markets in existence, and the key concepts of competitive analysis—equilibrium, optimization, arbitrage, gains from trade—form the basis of finance. In this part of the course we will examine the competitive model, and discuss its implications for resource allocation and efficiency. We will also examine applications of these concepts to financial markets.
Part II of the course, “How Markets Fail,” focuses on the flip-side of the issue, examining the causes and consequences of failures of particular markets to achieve efficiency. Financial markets are generally among the most efficient markets extant. Still, failures or inefficiencies in these markets, when they occur, are both a source of concern and a source of potential profits for participants.

Part III of the course, “Macroeconomics,” will provide an overview of some key concepts in macroeconomics—economic growth, economic fluctuations, monetary policy, international linkages. Recent economic turbulence and financial instability have reinforced the importance of basic understanding of these topics to the study of finance.

ADMINISTRATIVE INFORMATION:

1. GRADING

Points for the course will be allocated as follows:

<table>
<thead>
<tr>
<th>% of course grade</th>
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</thead>
<tbody>
<tr>
<td>Assignments / Problem Sets</td>
</tr>
<tr>
<td>Class attendance and Participation</td>
</tr>
<tr>
<td>Conversation Sessions</td>
</tr>
<tr>
<td>Midterm Exam</td>
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<tr>
<td>Final Exam</td>
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The plus/minus system will be used when assigning final course grades. Grades will be posted on Compass.

2. ASSIGNMENTS/PROBLEM SETS

Periodically during the semester you will be given assignments to work on outside of class. The problems on these assignments will sometimes be more difficult than the examples we have done in class, and will also sometimes be more difficult than the types of questions you will likely see on the exam. This is done intentionally to challenge you to think about the course material at a deeper level.

You are strongly encouraged to work on the assignments as a group. However, you must write up your answers independently and turn in separate work. Photocopies or multiple printouts of essentially the same computer file do not qualify as “separate work.” While numerical results may look identical for individuals in the same study group, each person must write his answer and accompanying explanations separately. That is, you should provide your answers in your own words. If presentation and written explanations are too similar to those of others, then they will receive no credit. Please include the names of the members of your study group on your assignment when you hand it in.

IMPORTANT NOTE: Assignments are due EITHER a) in class at the beginning of class, OR b) in my email in-box or my faculty mail-box in 340 Wohlers Hall by 11 AM on the due date. Late assignments will receive no more than half-credit. In computing the contribution of the assignments/problem sets to your final grade, I will drop the lowest of your assignment grades.
Thus, if there are six assignments, your overall problem set grade will be based on your five best assignments. Because of this, students who fail to turn in an assignment on time should probably consider that to be their dropped assignment. Although a student may choose not to complete an assignment, it is strongly recommended that you complete all of the assignments.

3. EXAMS

Absences from midterm must be approved in advance by me, and will only be granted in extremely exceptional circumstances. Final exams will be dealt with according to University policy.

4. CLASS PARTICIPATION/CONVERSATION SESSIONS

The participation grade depends on class attendance and active class participation via discussion, questions, and contributions of examples from current events.

The supplemental readings will form the basis of regular discussions of applications of the theory. Therefore in order to receive a high participation grade, it is essential to read the assigned articles before class. Please bring the articles with you to class.

You will also participate in a small-group conversation session with me three times this semester. These sessions will take place on Wednesdays from 11 to 12 or from 12 to 1; the schedule for your particular sessions will be posted on Compass. These sessions will also be based on newspaper articles; for the first session the articles will be pre-assigned. For one of the remaining sessions you will be responsible for finding and presenting a summary and analysis of an article.

5. ACADEMIC INTEGRITY

From the University statement on your obligation to maintain academic integrity: “If you engage in an act of academic dishonesty, you become liable to severe disciplinary action. Such acts include cheating; falsification or invention of any information or citation in an academic endeavor; helping or attempting to help others commit academic infractions; plagiarism; offering bribes, favors, or threats; academic interference; computer-related infractions; and failure to comply with research regulations.”

Rule 33 of the Code of Policies and Regulations Applying to All Students gives complete details of rules governing academic integrity for all students. You are responsible for knowing and abiding by these rules.

6. DISABILITIES

To ensure that disability-related concerns are properly addressed from the beginning, students with disabilities who require reasonable accommodations to participate in this class are asked to see me as soon as possible.

7. OFFICE HOURS

Office hours are listed above; if any changes become necessary, they will be posted on the course
web site. Office hours are for your benefit, so feel free to use them! No appointment is necessary during office hours. If you cannot come to these office hours, please make an appointment for another time by calling 333 2813 and speaking to Ms. Mary Barker.

8. REVIEW AND “CATCH-UP” SESSIONS

Occasionally lectures will be optional: these will be used to go over problem sets or to allow students without previous background in economics to “catch-up” on the most basic material and to receive more detailed answers to their questions. Details on time and dates will be announced in class and/or posted on Compass.

9. DETAILED COURSE PLAN

The detailed course plan will be posted on Compass in a separate file and will be updated throughout the semester.