

ECON 101 INTRODUCTION TO ECONOMICS I

STUDY GUIDE



UNIVERSITY OF GHANA
SCHOOL OF CONTINUING
AND DISTANCE EDUCATION

**ECON 101
INTRODUCTION TO
ECONOMICS I**

**STUDY GUIDE
For Undergraduates Level 100**

2014/15 – 2016/17 Academic Year

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Ghana

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COURSE DESCRIPTION

1. COURSE WEBSITE

<http://sakai.ug.edu.gh/portal>

2. INSTRUCTORS

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4. OVERVIEW

The study of economics is divided into two major branches – Microeconomics and Macroeconomics. Econ 101 is an introductory undergraduate course that teaches the fundamentals of microeconomics. This is the first course that undergraduates take in economics. This course reviews the basic principles of Microeconomics which examines the behaviour of individual economic units. Introduction to Economics II, to be taken in the second semester, will review the basic principles in Macroeconomics which studies aggregate economic units. This course aims to introduce students to the concepts of scarcity and choice, and their influences in the decision-making process of individual consumers, groups of consumers and firms. The course examines: price mechanism (demand, supply and price) and allocation of resources; comparative advantage and specialization; the theory of the firm – short run and long run – cost/revenue structure and the interaction between markets.

After completing this course, students should have developed a range of skills that would enable them to understand economic concepts and use these concepts to analyze specific questions. By the end of this course, students should be able to:

1. Understand economics as a discipline and the basic principles underlying it
2. Understand basic economic issues and problems
3. Understand the method of economics
4. Understand basic consumer behavior
5. Understand basic firm behavior
6. Analyze fundamentals of market structures (monopoly and competitive market)
7. Understand how to apply basic economic principles to policy and real life individual decisions

Specific topics in this course include the following: basic economic issues and problems (such as the concepts of opportunity cost; the production possibility frontier; and alternative economic systems), the method of economics, price determination in the market through the interaction of demand and supply, (the simplest) theory of consumer demand (in which we derive demand curve), the theory of production and cost, the market structure of perfect competition (in which we derive the supply curve), and the market structure referred to as monopoly.

5. PROBLEM-BASED LEARNING APPROACH

Problem-based learning (PBL) is a student-centered pedagogy in which students learn about a subject through the experience of problem solving. The goals of PBL are to help students develop flexible knowledge, effective problem solving skills, self-directed learning, effective collaboration skills and intrinsic motivation. This course will use a problem-based learning approach.

Working in groups, students would identify what they already know, what they need to know, and how and where to access new information that may lead to resolution of the problem. The role of the instructor/lecturer/tutor is to facilitate learning by supporting, guiding, and monitoring the learning process. The tutor will help build students' confidence to take on the problem, and encourage the students, while stretching their understanding.

6. COURSE FORMAT

The course content will be delivered online through the SAKAI Learning Management System (Sakai LMS). The Sakai LMS will be used to deliver:

1. Video Lecture Sessions
2. Session Slides
3. Session Reading Materials
4. Assessments – Tests, Quizzes and Assignments (including a Problem-based Term Paper)
5. Group activities – Discussions and Presentations

Announcements will be posted on the course website and/email accordingly. It is the responsibility of students to check on announcements made in class, on the course website, and through email.

7. LEARNING OUTCOMES

The learning outcomes for the course are outlined along three strands: knowledge, skills and outcomes.

7.1 KNOWLEDGE

Students would have knowledge on:

1. Economics as a discipline, the two main branches (micro and macro), the economic method, and No
2. Some important concepts such as resources and scarcity, choice and opportunity cost, economic systems, demand and supply and some applications
3. The consumer utility maximization problem within Marginal Utility Theory
4. Measures of production and costs of the firm
5. The basic structure of the monopolist and the competitive firms

7.2 SKILLS

Students would also have the skills needed to:

1. Use supply and demand diagrams to analyze the impact of overall changes in supply and demand on price and quantity
2. Solve consumers' utility maximization problem within Marginal Analysis
3. Derive the demand curve
4. Determine and calculate producer and consumer surplus
5. Analyze the behavior of firms in a perfectly competitive market in the short-run and the long-run
6. Analyze the behavior of firms in a monopoly
7. Use economic tools to analyze economic policies.

Much of economics is presented using two-dimensional graphs. You will need to become comfortable with basic graph skills. See Chap. 2 of Lipsey & Chrystal for a review, and seek help if you need it.

7.3 COMPETENCE

Students would in the future be able to:

1. Understand and contribute to economic discussions
2. Analyse basic economic policies

8. ASSESSMENT

The assessment for this course has been designed to help all students to maximize their individual and group/team learning opportunities. A summary of the assessment tasks is provided below.

ITEM	FORM OF ASSESSMENT	DELIVERED	MARKS
Individual Assignments	Multiple Choice Questions (MCQs) Short Essays Term Paper/Presentation	Alongside Sessions	30%
Written Examination	Semester Examination	End of semester	70%
Total			100%

8.1 Individual Assignments

Individual assignments will be provided at the end of every session. These assignments may be in the form of Multiple Choice Questions (MCQs), Short Essays and/or a Term paper or presentation. Deadlines will be provided for each assignment with respect to scheduling of the sessions.

9. RECOMMENDED TEXT

Lipsey R. G. and K. A. Chrystal. (2007). *Economics*. 11th Edition. Oxford University Press.

Bade R. and M. Parkin. (2009). *Foundations of Microeconomics*. 4th Edition. Boston: Pearson Education Inc.,

Begg. D. Fischer S. and R. Dornbusch. (2003). *Economics*. 7th Edition. McGraw-Hill

DETAILED CLASS SCHEDULE

The course is organized into **13 SESSIONS** along the following lines: (1) Overview; (2) Goals and Objectives; and (3) Activities and Assignments.

10. SCHEDULE OF SESSIONS

Week	Session
1	Session 1
2	Session 2
3	Sessions 3
4	Sessions 4
5	Session 5
6	Session 6
7	Session 7
8	Session 8
9	Session 9
10	Session 10
11	Session 11
12	Session 12
13	Session 13

11. SESSION 1 – INTRODUCTION I

11.1 Overview

This session introduces the student to Economics as a discipline focusing on the nature and scope of economics, the economic way of thinking, the method of economics, and the principles that guide economic analysis.

11.2 Goals and Objectives

At the end of the session, the student should be able to:

- Define economics.
- Describe the “economic way of thinking,” including definitions of rational behaviour, marginal cost, marginal benefits and how these concepts may be used in decision making.
- Identify the three basic economic questions and describe how the market system answers each of these three basic questions.
- identify and explain the factors of production
- State some important reasons for studying economics.
- Explain how economists use the scientific method to formulate economic principles.
- Differentiate between microeconomics and macroeconomics.
- Differentiate between positive and normative economics.
- Explain and give examples of some hidden fallacies.

11.3 Activities and Assignments

During week 1, complete the following tasks:

1. Read Lipsey & Chrystal (2007), Chapters 1-2
2. Watch the Videos on the Topic – INTRODUCTION I
3. Review Lecture Slides: Session 1 – INTRODUCTION I
4. Log on to the UG Sakai LMS course site
5. Visit the Chat Room and discuss the Forum question for Session 1
6. Complete the Individual Assignment for Session 1

12. SESSION 2 – INTRODUCTION II

12.1 Overview

This session involves understanding the concept of resources in economics, and analyzing some fundamental concepts such as scarcity and choice, as well as opportunity cost. It also discusses specialization and trade, economic systems and allocation of resources.

12.2 Goals and Objectives

At the end of the session, the student should be able to:

- Identify types of economic resources and types of income associated with various factors.
- Define the economizing problem, incorporating the relationship between scarcity (limited resources) and unlimited wants.
- Understand the concept of opportunity cost and how to determine the opportunity cost of a chosen decision.
- Use the concept of PPF to demonstrate scarcity, opportunity cost, efficiency, and economic growth.
- Understand Absolute and Comparative advantages in trade.
- Appreciate the fundamental Economic problems, the types of economic systems and the ways of allocating resources to solve basic problems. The student should also be able to give real life examples of each of the economic systems discussed.

12.3 Activities and Assignments

This week, complete the following tasks:

1. Read Lipsey & Chrystal (2007), Chapters 1-2
2. Watch the Videos on the Topic – INTRODUCTION II
3. Review Lecture Slides: Session 2 – INTRODUCTION II
4. Log on to the UG Sakai LMS course site: <http://sakai.ug.edu.gh/portal>
5. Visit the Chat Room and discuss the Forum question for Session 2
6. Complete the Individual Assignment for Session 2

13. SESSION 3 – DEMAND

13.1 Overview

The next three sessions (Sessions 3 to 5) discuss the participants in the markets, consumers and producers and their interaction and what motivates them. The current session looks at the consumers' side of the market. The session analyzes consumers and their behavior patterns in the way they purchase goods and services for consumption.

13.2 Goals and Objectives

At the end of the session, the student will be able to:

- Understand what constitutes demand for goods and services.
- Appreciate the relationship between price and quantity demanded and the Law of Demand.
- Understand the factors that determine whether consumers will buy more or less.
- Analyze the effect of changes in various factors on price and quantity demanded.
- Understand the difference between Change in demand and Change in Quantity demanded and the factors responsible for each.

13.3 Activities and Assignments

This week, complete the following tasks:

1. Read (Demand) in Lipsey & Chrystal (2007), Chapter 3
2. Watch the Videos on the Topic – DEMAND
3. Review Lecture Slides: Session 3 – DEMAND
4. Log onto the UG Sakai LMS course site
5. Visit the Chat Room and discuss the Forum question for Session 3
6. Complete the Individual Assignment for Session 3

14. SESSION 4 – SUPPLY

14.1 Overview

The current session looks at the producers' side of the market. The session analyzes producers and their behavior patterns in the way they offer sale goods and services.

14.2 Goals and Objectives

At the end of the session, the student will be able to:

- Understand what constitutes supply of goods and services.
- Appreciate the relation between price and quantity supplied and the Law of Supply.
- Understand the factors that determine whether consumers will buy more or less.
- Analyze the effect of changes in the various factors on price and quantity supplied.
- Understand the difference between Change in Supply and Change in Quantity Supplied and the factors responsible for each.

14.3 Activities and Assignments

This week, complete the following tasks:

1. Read (Supply) Lipsey & Chrystal (2007), Chapter 3
2. Watch the Videos on the Topic - SUPPLY
3. Review Lecture Slides on the Session - SUPPLY

4. Log on to the UG Sakai LMS course site
5. Visit the Chat Room and discuss the Forum question for Session 4
6. Complete the Individual Assignment for Session 4

15. SESSION 5 – PRICE DETERMINATION

15.1 Overview

This session discusses how price of goods and services are determined in a competitive market. It also looks at the interaction between demand and supply in the market.

15.2 Goals and Objectives

At the end of the session, the student should be able to:

- Demonstrate the interaction between demand and supply in determining the equilibrium price and quantity diagrammatically and mathematically.
- Determine whether the equilibrium in the market is a stable one or not by looking at the cases of surplus and shortage.
- Understand how changes occur to the equilibrium price and quantity.
- Analyze the effects of changes in the factors of demand and supply on equilibrium.
- Analyze some policy applications of demand and supply such as Price Ceiling, Price Floor and Minimum Wage policies.

15.3 Activities and Assignments

This week, complete the following tasks:

1. Watch the Videos on the topic – PRICE DETERMINATION
2. Review Lecture Slides on the Topic – PRICE DETERMINATION
3. Log on to the UG Sakai LMS course site
4. Read (The determination of price) Lipsey & Chrystal (2007), Chapter 3
5. Visit the Chat Room and discuss the Forum question for Session 5
6. Complete the Individual Assignment for Session 5

16. SESSION 6 – ELASTICITY OF DEMAND

16.1 Overview

When price changes, some goods experience a bigger change in quantity demanded than others. This session provides explanation to the extent of change in quantity, when there is a change in price of goods and services.

16.2 Goals and Objectives

At the end of the session, the student should be able to:

- Understand Own Price Elasticity of Demand and its measurements.
- Know how to measure own price elasticity using Point and Arc methods and the interpretation of the results.
- Understand elasticity along a straight line demand curve.
- Appreciate the relationship between Elasticity and Total Revenue.
- Enumerate and explain the determinants of elasticity.

- Understand Cross-price Elasticity of Demand and its interpretation
- Understand Income Elasticity of Demand and its interpretation

16.3 Activities and Assignments

This week, complete the following tasks:

1. Log on to the UG Sakai LMS course site
2. Watch the Videos on the Topic – ELASTICITY OF DEMAND
3. Review Lecture Slides: Session 6 – ELASTICITY OF DEMAND
4. Read (Price elasticity of Demand) Lipsey & Chrystal (2007), Chapter 4 (Pages 64-74)
5. Visit the Chat Room and discuss the Forum question for Session 6
6. Complete the Individual Assignment for Session 6

17. SESSION 7 – ELASTICITY OF SUPPLY & APPLICATIONS OF ELASTICITY

17.1 Overview

Some producers respond more to changes in price than others. This session provides explanation to the extent of change in quantity offered for sale when there are changes in the prices of goods and services.

17.2 Goals and Objectives

At the end of the session, the student should be able to:

- Understand Price Elasticity of Supply and its measurement.
- Know how to measure own price elasticity using Point and Arc methods and the interpretation of the results.
- Understand elasticity along a straight line demand curve.
- Appreciate the relationship between Elasticity and Total Revenue.
- Enumerate and explain the determinants of elasticity.
- Understand Cross-price Elasticity of Demand.
- Understand Income Elasticity of Demand.

17.3 Activities and Assignments

This week, complete the following tasks:

1. Watch the Videos on the Topic - ELASTICITY OF SUPPLY
2. Review Lecture Slides on the topic - ELASTICITY OF SUPPLY
3. Read Lipsey & Chrystal (2007), Chapter 4 (Pages 75-76 for Supply elasticity and Pages 76-84 for applications). Additional materials will be provided on Taxation and Elasticity
4. Log on to the UG Sakai LMS course site
5. Visit the Chat Room and discuss the Forum question for Session 7
6. Complete the Individual Assignment for Session 7

18. SESSION 8 – CONSUMER CHOICE THEORY: MARGINAL UTILITY THEORY

18.1 Overview

In this session, we will take a close look at the determinants of consumer demand using the Marginal Utility Theory (MUT). We will discuss why consumers behave the way they do; why the normal demand curve is downward sloping; why some goods are more expensive than others; etc. using the MUT.

18.2 Goals and Objectives

At the end of the session, the student should be able to:

- Understand the concept of Utility.
- Explain the concepts of Total Utility and Marginal Utility and their measurements.
- Examine the effect of consumption quantity changes on total utility and marginal utility.
- Understand and explain the Law of Diminishing Marginal Utility.
- Explain consumer Utility Maximization.
- Demonstrate usage of the Utility Maximizing Rule.
- Determine consumer equilibrium for one-good case and two-good case.
- Use consumer equilibrium to derive the normal demand curve and explain the law of demand.
- Understand some applications of Marginal Utility: the Paradox of Value, consumer surplus, etc.
- Understand the budget line

18.3 Activities and Assignments

This week, complete the following tasks:

1. Log on to the UG Sakai LMS course site
2. Watch the Videos on the Topic - CONSUMER CHOICE THEORY
3. Review Lecture Slides on the topic - CONSUMER CHOICE THEORY
4. Read
5. Visit the Chat Room and discuss the Forum question for Session 8
6. Complete the Individual Assignment for Session 8

19. SESSION 9 – FIRM THEORY: PRODUCTION

19.1 Overview

This session seeks to discuss output of firms.

19.2 Goals and Objectives

At the end of the session, the student should be able to:

- Appreciate what a firm is and the types of firms.
- Understand the Firm in theory and the firm in reality.
- Understand Production and the Production function.
- Differentiate between production in the short and long run.
- Calculate Total Product, Average Product and Marginal product in the short run.

- Demonstrate each of the above with diagrams, demonstrating the shapes of each.
- Understand the relationship between product curves.
- Understand and explain the Law of Diminishing Marginal Returns.

19.3 Activities and Assignments

This week, complete the following tasks:

1. Watch the Videos on the topic - FIRM THEORY: PRODUCTION
2. Review Lecture Slides on the session - FIRM THEORY: PRODUCTION
3. Read (Production) Lipsey & Chrystal (2007), Chapter 6 (Pages 113-117, 120-122)
4. Log on to the UG Sakai LMS course site
5. Visit the Chat Room and discuss the Forum question for Session 9
6. Complete the Individual Assignment for Session 9

20. SESSION 10– FIRM THEORY: COST

20.1 Overview

There is a difference between economist's measure of profit and accountant's measure of profit. Profit is the difference between total revenue and total cost. For economists, total cost includes the opportunity cost of owner's capital. This session seeks to explain the concept of cost in economics.

20.2 Goals and Objectives

At the end of the session, the student should be able to:

- Differentiate between implicit cost and explicit cost.
- Determine economic cost.
- Understand accounting profit and economic profit.
- Understand costs in the short run with mathematical calculations.
- Calculate Total, Fixed and Variable costs as well as Per unit Fixed and Variable costs (Average Variable Cost, Average Fixed cost and Average Total Cost)
- Represent the various measures of costs with curves.
- Demonstrate the relationship between the cost curves.
- Understand costs in the long run.

20.3 Activities and Assignments

This week, complete the following tasks:

1. Log on to the UG Sakai LMS course site
2. Watch the Videos for the topic - FIRM THEORY: COST
3. Review Lecture Slides on the slides - FIRM THEORY: COST
4. Read (Production) Lipsey & Chrystal (2007), Chapter 6 (Pages 117-120, 123-131)
5. Visit the Chat Room and discuss the Forum question for Session 10
6. Complete the Individual Assignment for Session 10

21. SESSION 11 – MARKET STRUCTURES: PERFECT COMPETITION

21.1 Overview

The conditions of the market that firms operate in influence the behavior of firms. The influence of the market depends on the nature of the product involved and the number of firms competing for market share. This session provides analysis of the competitive market and its influence (combined with costs) on the behavior of firms operating in this market structure.

21.2 Goals and Objectives

At the end of the session, the student should:

- Understand the competitive market structure.
- Identify and explain the assumptions/characteristics of the competitive market
- Understand the competitive firm
- Understand how price and output is determined in the competitive market.
- Understand how the firm is a price-taker.
- Be able to calculate Total Revenue, Average Revenue and Marginal Revenue of the firm.
- Understand equilibrium of the firm and how a competitive firm determines its output.
- Have a good understanding of the graphical determination of profit-maximizing output by the firm.
- Understand short and long run profitability of the competitive firm.

21.3 Activities and Assignments

This week, complete the following tasks:

1. Log on to the UG Sakai LMS course site
2. Watch the Videos on the topic - MARKET STRUCTURES: PERFECT COMPETITION
3. Review Lecture Slides on Session 11 - MARKET STRUCTURES: PERFECT COMPETITION
4. Read (Production) Lipsey & Chrystal (2007), Chapter 7
5. Visit the Chat Room and discuss the Forum question for Session 11
6. Complete the Individual Assignment for Session 11

22. SESSION 12 – MARKET STRUCTURES: MONOPOLY

22.1 Overview

This session provides analysis of the behavior of the firm if it is the only producer in the market.

22.2 Goals and Objectives

At the end of the session, the student should be able to:

1. Understand the monopoly market structure
2. Identify and explain the assumptions/characteristics of monopoly.
3. Understand how price and output is determined by the monopolist.
4. Calculate the Total Revenue, Average Revenue and Marginal Revenue of the firm.
5. Understand equilibrium of a monopolist and how the firm determines its output/price.
6. Have a good understanding of the graphical determination of profit-maximizing output/price
7. Understand the short and long run profitability of the monopolist.

22.3 Activities and Assignments

This week, complete the following tasks:

1. Watch the Videos on the topic - MARKET STRUCTURES: MONOPOLY
2. Review Lecture Slides on the Session - MARKET STRUCTURES: MONOPOLY
3. Read (Production) Lipsey & Chrystal (2007), Chapter 8
4. Log onto the UG Sakai LMS course site
5. Visit the Chat Room and discuss the Forum question for Session 12
6. Complete the Individual Assignment for Session 12

23. SESSION 13 – REVISION

23.1 Overview

Question and Answer session

23.2 Goals and Objectives

At the end of the session, the student should be able to:

- Have a comprehensive understanding of the scope of the course
- Review critical and important issues in the course, Econ 101

23.3 Activities and Assignments

This week, complete the following tasks:

1. Watch the Videos for the session
2. Log on to the UG Sakai LMS course site
3. Visit the Chat Room and discuss the questions from any of the sessions discussed