

**UNIVERSITY OF CAPE COAST**  
**COLLEGE OF HUMANITIES AND LEGAL STUDIES**  
**FACULTY OF SOCIAL SCIENCES**  
**DEPARTMENT OF ECONOMICS**  
**FIRST SEMESTER, 2015/2016**  
**ECO 101: PRINCIPLES OF ECONOMICS I**

**CREDIT HOURS: THREE**

**COURSE DESCRIPTION**

The course introduces students to fundamental economic principles, theories of households' decisions, price theory, production decisions of firms, and market structure. The course also enables the students to analyse the impact of government policies on the decisions of households and business firms. It is mainly intended to provide a solid foundation for students to enable them cope with higher levels of concepts and theories.

**COURSE OBJECTIVES**

- To introduce students to the essential principles needed to understand the basic problem of economizing, specific economic issues and policy alternatives.
- To help the student formulate and apply the economic perspective and to reason accurately and objectively about economic matters.
- To promote student interest in the study of Economics.

**COURSE CONTENT**

**1) Economic Thinking**

*a) Meaning of Economics*

- i) Microeconomics versus Macroeconomics
- ii) Assumptions
- iii) Economic Theories and models
- iv) Positive vs Normative analysis

v) Deductive versus Inductive Analysis

vi) Representing Economic Data

vii) Graphs, Slopes and Elasticity

*b) The Economic Problem*

i) Scarcity choice and Trade offs

ii) Opportunity Cost

iii) Applications of Opportunity cost

(1) The Production Possibility Frontier

(2) Specialisation and trade

(3) Absolute vs Comparative advantage

## **2) Market Forces: Supply and Demand**

*a) Demand Analysis*

i) Law of demand

ii) The Demand curve

iii) Determinants of demand

iv) Demand function

v) Market Demand vs Individual Demand

vi) Shifts in Demand

vii) Types of demand

*b) Supply Analysis*

i) The Supply curve

ii) Law of Supply

iii) Determinants of Supply

iv) Supply function

v) Market Supply vs Individual Supply

vi) Shifts in Supply

vii) Types of Supply

*c) Equilibrium Analysis*

i) The equilibrium price and market price

ii) The existence and Uniqueness of equilibrium

iii) Three Steps to Analysing Changes in Equilibrium

iv) Changes in Equilibrium price and quantity

*d) Elasticities and Their Applications*

i) The Price Elasticity of Demand and Its Determinants

ii) Computing the Price Elasticity of Demand

- iii) Total Revenue and the Price Elasticity of Demand
- iv) Elasticity and Total Revenue along a Linear Demand Curve
- v) Other Demand Elasticities
- vi) The Price Elasticity of Supply and Its Determinants
- vii) Computing the Price Elasticity of Supply
- e) *The Influence of Government policies on Market Outcomes*
  - i) Price Controls
  - ii) Taxes & Subsidies
  - iii) Elasticity and incidence of tax
- f) *Consumer Surplus*
- g) *Producer Surplus*
- h) *Market efficiency*

### **3) Introduction to Consumer Behaviour**

- a) *Cardinal Analysis*
  - i) The Concept of Utility
  - ii) Utility and Satisfaction
  - iii) Measurement of Utility
  - iv) The Law of Diminishing Marginal Utility
  - v) The Equi-Marginal Principle
  - vi) Application of Marginal Utility Theory (Paradox of Value)

### **4) Theory of Production and Cost**

- a) Short run production theory
- b) Short run cost theory

### **5) Market structures**

- a) *Perfectly Competitive markets (Short run analysis)*
  - i) Market structure and behaviour
  - ii) Competitive market structure
  - iii) Behaviour vs structure
  - iv) Assumptions of perfect competition
  - v) Demand and revenue for perfectly competitive firm
  - vi) Rules for Profit maximisation
  - vii) Short run supply curves
  - viii) Short run equilibrium analysis
- b) *Monopoly*
  - i) Single-price monopolist

- ii) Allocative inefficiency of the monopolist
- iii) A multi-price monopolist
- c) *Monopolistic Competition* (an introduction)
- d) *Oligopoly* (an introduction)

## **STUDENT LEARNING OUTCOMES**

By the time you finish this course you will:

- know how scarcity influences choices.
- understand why Economics is a science.
- be able to explain the law of demand and the law of supply.

## **Recommended Text**

### **1. Lecture Notes**

2. Lipsey and Chrystal (2011) *Economics*, 6<sup>th</sup> Edition. Oxford University Press
3. Mankiw, Gregory (2014). *Principles of Microeconomics*, 6<sup>th</sup> Edition. Ohio: South-Western.

## **RELEVANT READING MATERIALS**

4. Case, Fair & Oster (2014). *Principles of Microeconomics*, 11<sup>th</sup> Edition. New Jersey: Pearson Education Inc.
5. Parkin, Michael (2014). *Microeconomics*, 11<sup>th</sup> Edition. New Jersey: Pearson Education Inc.
6. Hubbard, G. & O'Brien, A.P. (2013). *Microeconomics*, 5<sup>th</sup> Edition. New Jersey: Pearson Education Inc.
7. Frank, Jennings and Bernanke (2012). *Principles of Microeconomics*, 3<sup>rd</sup> edition. McGraw-Hill
8. Lipsey, R. and Crystal, A. (2011). *Economics*. 12<sup>th</sup> Ed., Oxford: Oxford University Press.

## **MODE OF ASSESSMENT**

1. Two Quizzes (30%)
2. One Assignment (10%)
3. One End-of-Semester Examination (60%)