

Department of Economics

Assessment Report

August 7, 2013

I. Rationale

During the 2012-13 academic year, the Department of Economics undertook an assessment of our introductory economics courses (EC103, EC104 and EC104h). These introductory courses represent a critical course for the department as our gateway to the major. They also represent important service courses along several dimensions – students may count any of these courses to fulfill the quantitative reasoning (QR2) requirement; to fulfill the social science requirement; an introductory economics course is required for both the International Affairs and Environmental Studies interdepartmental majors; and both EC103 and EC104 are required for Business majors. Following a two year dip, enrollments have grown substantially in the past two years and now exceed 500 students per year. Given broad scope of the courses' impact across the college, a major challenge for instructors is to satisfy a variety of student needs with a single class. Based on this challenge, we chose to focus on learning more about why students were enrolled in the course, the extent to which the content of the course lives up to the spirit of the QR2 requirement, and the linkages between these classes and our intermediate level theory courses.

II. Methodology

Data for this report were collected from three sources: surveys of students enrolled in the classes in 2012-13, a sample of final exam answers from the same population of students, and meetings of faculty who teach EC103 and another group who teach EC104.

III. Who takes Introductory Economics?

Surveys were administered to students in sections of EC103, 104, 104h and 104ES asking their reasons for enrolling. Students were allowed to check more than one response. The results of the surveys (summarized below) clearly show the diverse populations that the course serves. In EC104, it was not possible to sum responses because not all instructors asked the exact same set of questions. The overall results confirm our assumption while some students take the courses based on general interest, many students take the classes to fulfill requirements in and out of the department. The pie chart of responses for EC103 is particularly striking in that there are at least five large cohorts in the class.

Key take-away: With such a diverse audience, instructors need to pay particular attention to the examples chosen such that they capture the attention of each cohort yet not so specialized that they lose their appeal to the larger group. This represents a significant mentoring issue for one-year faculty who often are asked to teach these courses. Beginning in the fall of 2013, professors Rotheim, Odekon and von Allmen will work with new department faculty to emphasize the diverse student needs in these classes.

EC104 students rationale for taking the course

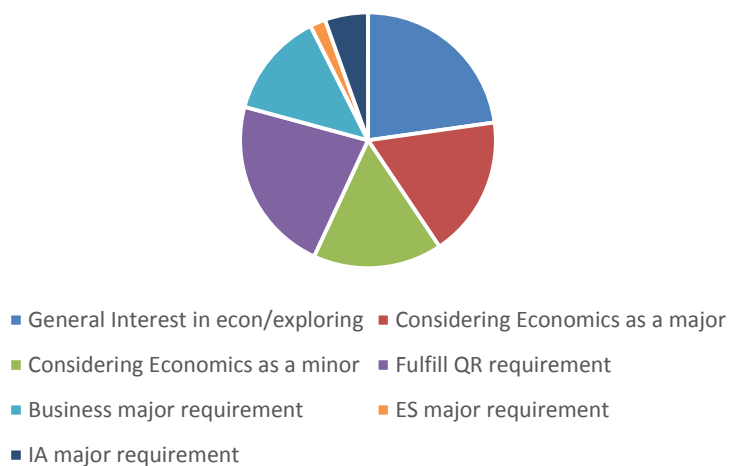
<u>Reason</u>	<u>EC104</u>	<u>EC104h</u>	<u>104ES</u>
Fulfills Honors Requirement (n=18)	na	8	na
General Interest in econ/exploring	36	13	na
Considering Economics as a major	15	5	21
Considering Economics as a minor	18	na	21*
Fulfill QR requirement	20	3	17
Business major requirement	22	9	10
ES major requirement	3	0	7
IA major requirement	7	4	na
Other	1	8	13

*in 104h the major minor question was combined

EC103 students rationale for taking the course

<u>Reason</u>	<u>EC103</u>
Fulfills Honors Requirement (n=18)	na
General Interest in econ/exploring	46
Considering Economics as a major	36
Considering Economics as a minor	33
Fulfill QR requirement	45
Business major requirement	27
ES major requirement	4
IA major requirement	11
Other	na

Why Students Enrolled in EC103



IV. Faculty Focus Groups on Core Content

As a complement to the student surveys, tenured faculty met in two small groups, one for introductory micro and one for introductory macro. The central issues addressed were the extent to which the course meets the QR2 requirement and our concern that, given the diverse population of students we serve, some instructors may be foregoing key material necessary for majors and minors to succeed in 200-level theory courses. I.e., is there a list of “must-do’s” and if so, are all instructors currently covering those topics. Outcomes of those meetings is below (attendees of each in parentheses).

EC104, Introductory Micro (Monica Das, Robert Jones, Lynda Vargha, Peter von Allmen):

1. EC104 and the QR2 requirement. The faculty who teach EC104 felt that the course clearly meets several of the objectives stated in the QR2 description. Specific examples include computation and interpretation of elasticities, equilibrium price and output levels, and graphical and descriptive analysis of models of various market structures, use of basic models to analyze issues such as monopoly power, pollution and monopsony power. We noted, however, that the current QR2 requirement describes *content* but does not elaborate on any specific *outcomes*. I.e. they say “the study of...” rather than “Students will be able to...” Nevertheless, the group advocated an assessment process that goes beyond a simple QR2 litmus test and creates linkages between the QR2 requirement language and our course objectives and then between the course objectives and student outcomes. For this last part, we decided on an imbedded assessment of actual student capabilities. E.g., “can students use a model of a given market structure to evaluate optimal decision-making by firms or individuals?” This was done on the spring 2013 final exams for 104 and 104-h and is discussed in section V below.
2. On the general Discussion of EC104 and its relationship to 236, there seemed to be consensus that the list of “must cover” topics in 104 to prepare students for 236 is very short. EC236 assumes familiarity with economic way of thinking, some intellectual maturity and math skills and not much else. Thus, more important than completing a to-do list is that students learn the importance of marginal analysis, allocation of resources given scarcity, and appreciation for the need to (and some ability to) express the same idea verbally, using functions, and using graphs. Thus, it is our sense that the course currently meets this objective well.

EC103, Introductory Macro (Joerg Bibow, Roy Rotheim, Mehmet Odekon, Ngina Chiteji):

1. EC103 and the QR2 requirement: The faculty concluded that EC103 definitely requires students to build upon skills that they have mastered in QR1, as specified in the QR2 guidelines. Specifically, all of the instructors teaching EC103 require students to learn to calculate inflation rates and real and nominal gdp. These two topics invariably involve using numerical methods to study rates of change (the percent change in the price level, and the rate of growth of output). Additionally, because graphs are heavily used in EC103 the course involves applications of geometry. Moreover, the instructors in EC103 routinely show students how to find and interpret macroeconomic data, data covering the unemployment rate for example. This provides students with the skills required to understand how key macroeconomic variables are

measured, and it also requires them to become comfortable with analyzing patterns of movement in the data.

2. EC103 faculty concluded that the following belong on a list of "must cover" topics in EC103:

(a) The consumption multiplier and the Keynesian Cross diagram, in addition to the AD/AS model of short-run output determination.

(b) The Federal Reserve, money and the banking system

(c) The difference between fiscal and monetary policy, and how each can affect the economy

(d) Something international¹

(e) Something about sources of economic data

● Other topics, such as how much emphasis to place on the labor market diagram, should be left to the discretion of each instructor.

● We also noted that we expect students to also obtain a general familiarity with the economic way of thinking in EC103. This includes understanding concepts such as tradeoffs; opportunity costs; and (possibly) instances in which free market outcomes may be deemed undesirable by society, so much so as to justify macro-oriented intervention by the government. The presence of unemployment provides an example of the latter.²

Key take-away: there was overall agreement and satisfaction with the content of the introductory courses as currently constructed. Given that these courses are often taught by one year faculty, they should be made aware of the above discussions and the conclusions from each regarding core material that represents the "must-do" list.

¹ Here there was agreement that students should get some exposure to international topics, but we decided to leave it to the instructor to decide whether this task would be accomplished primarily [i] by discussing exports, imports, and the role of comparative advantage in determining what countries export or import (which Ngina and Mehmet do), or [ii] by focusing on exchange rates and the balance of payments (which Joerg thought would be a more interesting way to incorporate international topics at the EC103-level).

² We are not talking about the traditional microeconomic focus on positive and negative externalities because we know that these topics are covered in EC104.

V. **Assessment of Student Work: Quantitative Reasoning**

As noted above in section IV, the Department faculty decided to test the extent to which students are able to engage QR material successfully by the end of the course. Although we struggled to articulate the QR “hurdle” with precision, we resolved to determine if students are able to use economic models that require basic algebra and graphical analysis to explain and resolve questions of policy and strategy. One example might be to show and explain changes in consumer and producer surplus in response to a policy change. For each tenured professor teaching an intro course in the spring of 2013 (which included 103, 104 and one section of 104-H), instructors identified one final exam question that required the skills noted here. Responses were evaluated base on these criteria, independent of the rubric used to grade the exam for course grade purposes.

The questions used for the assessment were as follows:

EC103.

1. Assume a decrease in the discount rate. Using the appropriate models, show the effects of this policy on:
 - a. Interest rate in the money market;
 - b. Investment;
 - c. Equilibrium income in the income-expenditure model;
 - d. Price and output in the flexible price model;
 - e. How the economy moves along the short-run Phillips curve;
 - f. Explain the adjustment mechanism associated with this policy.

Discussion (by M. Odekon):

The question asks the student to identify the policy and then evaluate it in terms of its effects in different markets and models. In addition, the question expects the student to show the difference between movements along the relevant schedules versus shifts in relevant schedules. This distinction is fundamental to macroeconomic analysis using graphs and models. Most of the students who answered the question have not only shown their knowledge and understanding of the theoretical aspects of the question but also successfully shown their answer using the correct models/graphs and movements along them or shifts in them. As such, most students have shown that they can use quantitative methods to make sound decisions and provide sound interpretation with the aid of graphs/models they have been introduced to.

A second group of few students, have identified the policy wrong, contractionary instead of expansionary, but have been consistent in their analysis and have shown correctly how different markets are affected by the contractionary policy.

A third group of very few students have identified the policy wrong and have been inconsistent in their further analysis.

In future, a slower pace in classroom and more practice assignments may be necessary to help students in the two latter groups.

EC104. (Instructor: R. Jones)

1. Explain, using a carefully labeled diagram, how a firm in a competitive market determines the number of workers to hire at a given wage rate. Explain which factors could cause a firm to hire more workers at the same wage rate.

Discussion (by von Allmen):

For the first question, students are asked to demonstrate knowledge of and facility with the basic model of wage determination in competitive markets, as well as to evaluate a change in the market caused by an exogenous change in one of several drivers of the model. Most students did a very good job of correctly explaining and showing the process of wage determination using a graph. Most students used the correct equation ($VMP_L = P \cdot MP_L$) to explain the demand for labor curve. Most students also correctly identified the three primary drivers of change in the firm's demand for labor. Of those that did not, some incorrectly stated a change in the wage as a possible response, thus confusing a movement along the curve with a shift of the curve – a common mistake in introductory economics. Others appeared to simply forget to answer the second part of the question, as they stated neither a correct nor an incorrect answer.

Take-away: perhaps more time spent manipulating the models would decrease the incidence of confusion between movements along the curve(s) and shifts to a new location.

EC104-H (Instructor: L. Vargha)

1. Assume that the market for shoe production is characterized by a negative externality.
 - a. Using a graph of the market for shoes, identify and explain:
 - i. The free market quantity supplied and quantity demanded;
 - ii. The efficient (surplus maximizing) quantity.
 - b. Explain why the market for shoes is an example of market failure.
 - c. Identify and explain two possible government solutions for this market failure.

Discussion (by von Allmen):

The correct identification of efficient quantities in such problems always represents a challenge for economics students and they frequently confuse consumption vs. production and positive vs. negative when showing the problems and suggesting solutions. In this case, students are asked to show a negative production externality. Thus they should show the socially efficient supply curve (marginal social cost curve) as being above the marginal private cost curve. In the absence of intervention, the good is overproduced, resulting in a deadweight loss. In this class (an honors section), most students

correctly noted that the efficient output level was less than the privately optimal output level. Slightly fewer, but still a majority, correctly showed this by drawing in a MSC curve above the supply or MPC curve. Though they were not specifically asked to do so in the question, many students went on to identify the area representing deadweight loss. The results here were considerably more mixed. One issue may be that students encounter the various forms of externalities within the space of a single chapter and so confuse them. It may also be that some students relied on memorization, a tool particularly poorly suited to economics.

Take away: Especially given that this is an honors section, it appears that more time spent on working with students such that they can correctly identify the social cost of various forms of externalities would be well spent. External costs and benefits that alter optimal output levels are a frequent topic in upper division area courses.

Additional take-away: The results of the imbedded assessments indicate that students are asked to engage QR material and most do so successfully. However, the current QR requirement language provides such latitude that it may be useful to seek guidance from the college on more specific definition of QR. The types of mistakes made across all three sections are typical of economics undergraduates. It may be possible to reduce these errors through increased in-class or out of class problem sets that force students to manipulate the models.

Appendix: Sample Syllabi

M. Odekon
Office: Filene 108
Ext.: 5097
Office Hours: M 1:00-2:00 pm TH 10:30-noon
Or by appointment

Spring '13

EC 103
Introduction to Macroeconomics

Course Description:

The course is designed to provide a basic understanding of how the macro economy works, what the available analytical tools in macroeconomics are, and how stabilization policies are formulated and implemented. In addition, it will highlight contemporary political economic issues.

Specific course objectives are:

- To introduce and examine preliminary key models and concepts in macroeconomics;
- To engage in in-class problem-solving activities and discussions on contemporary macroeconomic issues;
- To serve as a basis for further study in economics.

Required Texts:

Krugman, P. 2009 (second edition). *Macroeconomics*. NY: Worth Publishers.

Grading:

The following will contribute to your final course grade. **There are no make-up tests.**

Test I	February 22nd	25 percent
Test II	April 5th	25 percent
Final	tba	30 percent
Assignment	April 26th	20 percent

Attendance:

Attendance is required in the course. Each absence is a deduction of ONE POINT FROM THE FINAL COURSE GRADE.

NO LAPTOPS ARE ALLOWED IN CLASS WITHOUT MEDICAL DOCUMENTATION.

Course Outline:

- Introduction
Chapters 1 and 2

- Market Economy
Chapters 3 and 4

- International Economics
Chapters 5 and 18

- Political Economy
Chapters 6 and 17

- Assessing the Macroeconomic Performance
Chapters 7 and 8

Assignment: US Macroeconomic Performance: 1992-present

- Long-Run Macroeconomic Model
Chapters 9 and 10

- Short-Run Macroeconomic Model
Chapters 11, 12, and 14

- Stabilization Policies
Chapters 13, 15, and 16

Assignment:

You are expected to write a maximum of double-spaced 8-page long paper on the CAUSES OF US BUDGET DEFICIT: 1980-present

Preliminary sources:

<http://www.whitehouse.gov/omb/budget/Historicals>

http://www.whitehouse.gov/sites/default/files/microsites/ERP_2012_ch_3.pdf

http://www.whitehouse.gov/sites/default/files/microsites/ERP_2012_App_B.pdf

(Tables B-78 to B-81)

Readings (due dates):

<http://www.oecd.org/els/socialpoliciesanddata/41528678.pdf> (2/18)

<http://www.pewsocialtrends.org/2012/01/11/rising-share-of-americans-see-conflict-between-rich-and-poor/> (3/25)

https://docs.google.com/viewer?url=http://www.epi.org/files/2012/ib331-ceo-pay-top-1-percent.pdf&hl=en_US&chrome=true (4/15)

SYLLABUS EC 104 (003)
Introduction to Microeconomics: Fall 2012

Instructor: Monica Das

Office: Harder 205B

Email: mdas@skidmore.edu

Phone: 580-5096

Lecture Time: T/TR 2.10 – 3.30 PM

Office Hours: F 11.00 am – 2.00 pm

(or by appointment)

Course Objective:

This course is designed to introduce you to basic microeconomic theories, and to discuss how these theories can help us understand businesses operations, government policies and some contemporary issues. The goal of the course is to see how markets function, work efficiently and where they fail. Mathematical microeconomic models such as the demand-supply model will illustrate the choices individuals and firms make to cope with scarcities. Firm theory will be discussed in detail with special emphasis on market structures such as Perfect Competition, Monopoly, Oligopoly and Monopolistic Competition. Our final objective is, to use the analytical tools taught in class to discuss relevant topics in trade and environmental economics.

Main Goals:

Students will: (i) construct mathematical models, (ii) work with graphs, equations and data tables and (iii) see how basic models are applied to understand topics in microeconomics (with special emphasis on trade and environmental economics).

Text:

Paul Krugman and Robin Wells (2009): MICROECONOMICS, Worth Publishers

Paul Krugman is a well known economist, columnist, author and Nobel Laureate. You can find many of his writings and a lively discussion area at the unofficial page, www.pkarchive.org.

For supplementary materials, powerpoint files of in-class presentations and all homework assignments please refer to the **blackboard**.

<http://learn.skidmore.edu/>

Attendance:

You are expected to come to class on time and stay during the whole duration of the class time. Please avoid leaving the class in the middle for any reason, because when you do so, it is very distracting to me and your classmates.

Class attendance is compulsory and no excuses for absences (medical, sports related or otherwise) are acceptable. We will work on worksheets in class (not all but some randomly picked classes). If you submit your worksheet to me at the end of class, with your name on it, you get full credit. There is no “make-up” worksheet for missed classes.

The worksheets and class lectures will help you work on your homework assignments. Some of those assignments will be self graded (you will grade them and give yourself a grade based on a solution set posted online).

The midterm questions are similar to questions in the worksheets and homework assignments. However, they are not exact replicas! On a scale of 1 to 10 (10 being most challenging and 1 being least challenging), the worksheets are level 1, homework assignments are level 3, midterm 1 is level 5, midterm 2 is level 6 and the final is a level 9.

We will use graphs, data tables and mathematical equations in our analysis. Please be prepared to work with these mathematical tools. The main *mantra* of mathematical subjects is *practice makes perfect*. Microeconomic analysis relies heavily on mathematical models. So the more you practice, the better will be your grasp on the subject.

Grading:

• Worksheet	10%
• Homework	10%
• Midterm 1	25%
• Midterm 2	25%
• Final	30%

The midterm exams are not cumulative. The chapters to be covered before the first midterm are: 3, 5, 6, 8 and 17. The chapters to be covered before the second midterm are: 12, 13, 14, 15 and 16. The midterms are based on the homework assignments.

We will cover chapters 10 and 11 before the final exam. The final exam is the most challenging and cumulative.

I will follow a standard grading scheme: grade A (above 90%); grade B (between 80% - 90%); grade C (between 70% - 80%); grade D (between 60% - 70%) and F (less than 60%).

All midterms are held in class, during class times. The **final exam** is scheduled by the college. Please refer to the following website for the date and location.

<http://cms.skidmore.edu/registrar/upload/Fall-2012-Exams-6.pdf>

Important Dates:

	“The great Mexican Maize scandal,” (15 June 2002) F. Pearce, <i>New Scientist</i> 174: 14 ***optional*** Chapter 8: International Trade (will use some concepts from chapters 2 and 4) “Trade Liberalization and pollution haven,” (2004) A. Levinson et. al., <i>The B. E. Journal of Economic Analysis and Policy</i> 4: 2 ***optional*** Chapter 17: Externalities “Toward a new conception of the environment-competitiveness relationship” (1995) M. E. Porter and Linde, C. V. D, <i>The Journal of Economic Perspectives</i>, 9: 4.
Oct 9 – 11	Review and Midterm 1

Oct 16 – Nov 8	Chapter 12: Behind the Supply Curve: Inputs and Costs “Fresh Winds in Beijing, Chinese feminists speak out on the one-child policy and women’s lives” (2001) S. Greenhalgh, <i>Signs</i>, 26: 3 ***optional*** Chapter 13: Perfect Competition and the Supply Curve Chapter 14: Monopoly Chapter 15: Oligopoly “The Tragedy of the Commons” (1968), <i>Science</i>, 162: 3859 ***optional*** Chapter 16: Monopolistic Competition and Product Differentiation
Nov 13 – 15	Review and Midterm 2
Nov 21 – 25	<u>Thanksgiving</u>
Nov 20, Nov 27 – Dec 6	“Giffen Behavior and Subsistence Consumption” (2008), R. T., Jensen and Miller, N. H., 98: 4 ***optional*** Chapter 10: The Rational Consumer Chapter 11: Consumer Preferences and Consumer

Dec 11	Choice Review for Final exam
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Academic Integrity and Ethics of Scholarship:

Please familiarize yourself with the “academic integrity checklist” and “ethics of scholarship” stated by the office of the Dean of Studies while formulating your paper, writing exams or assignments. You should consult with the instructor or the Student Handbook if you are uncertain about an issue of academic honesty prior to the submission of an assignment or test. It is the student's responsibility to become thoroughly familiar with the requirements of the Honor Code.

Communication:

Class participation is welcomed. If you have any questions and need any clarifications, feel free to send me an email at mdas@skidmore.edu.

I welcome you all to the Skidmore community. Together let us make this semester an enjoyable learning experience for all.

Syllabus EC104-005
Introduction to Microeconomics
(T/Th 3:40 – 5:00) Harder 203

Instructor: Peter von Allmen

Office: Harder 205A

Phone: x5092

Email: pvonallm@skidmore.edu

Office Hours: Monday through Thursday 1- 2PM. Others by appt.

Goals of the course: the purpose of this course is to acquaint you with the fundamental concepts, models, and modes of analysis of microeconomic theory. Additionally, we will apply microeconomic principles to selected contemporary and historical problems and issues. By the end of the semester you should:

- Understand the necessary components and purpose of an economic model
- Understand how markets allocate scarce resources
- Understand the “economic way of thinking” I.e. the perspective of economists as they analyze decision-making. Central to achieving this goal is being able to show and describe the use of marginal analysis.
- Understand and be able to apply the fundamentals of the models of supply and demand, consumer theory, and the theory of the firm including models of perfect competition, monopoly, and oligopoly.
- Be able to apply basic microeconomic analysis to current policy challenges.

Text:

Microeconomics, 9th edition, by Michael Parkin. 2010. Addison Wesley.

Grades:

Your grade will be determined by your performance on two midterm exams, graded homework assignments, class participation, three current event analyses and a final exam. Note that class participation is more than just attendance. You should plan to attend class having done whatever required reading is due for that session, ready to contribute to the classroom environment. Any absences beyond three will result in a reduction in your final grade for the semester. Failure to attend class on an exam date without prior permission of instructor will result in a grade of zero for that exam. Also late homework assignments are not accepted without prior permission of instructor.

Specific assignments and due dates for homework (both those that will be graded and ungraded work as well) will be announced in class and posted on blackboard. The current event analysis writing assignments will be brief write-ups (3 pages) of a current event of your choosing, incorporating an economic model from the class. You must turn in one by the last day of each month (February, March, April) of the semester. Note that is a four credit course. As such, you should expect that the out of class assignments will require significant time and effort to complete.

Graded instruments are weighted as follows:

Class participation:	5%
2 Midterm exams (20% each)	40%
Graded homework (3% each)	15%
3 current event analyses (5% each)	15%
<u>Final</u>	<u>25%</u>
Total	100%

Honor Code

You are expected to fully abide by the Skidmore Honor Code. Failure to do so will likely result in failure for the semester.

Academic Accommodation

If you are a student with a disability and believe you will need academic accommodation, you must formally request accommodation from Meg Hegener, Coordinator for Students with Disabilities. You will also need to provide documentation which verifies the existence of a disability and supports your request. For further information, please call 580-8150, or stop by the office of Student Academic Services in Starbuck Center.

Miscellaneous:

Cell phones: Please do not use your cell phone during class. This includes talking, texting, listening to messages, and use as a calculator during exams.

Food and drink: You are welcome to bring whatever you want to drink to class but please refrain from bringing food.

Schedule (may be adjusted as necessary). Additional readings will be assigned throughout the semester and posted on Blackboard:

<u>Date</u>	<u>Topic</u>	<u>Readings</u>
1/25-27	Introduction/tools/the Economic Problem	Ch.1, app.1a, Ch.2
2/1-3	Supply and Demand	Ch.3
2/8-10	Elasticity	Ch.4
2/15-17	Efficiency and Equity/ In-class problem set #1	Ch.5
2/22	Midterm #1	
2/24	Government intervention in markets	Ch.6
3/1-3	International markets	Ch.7
3/8-10	Utility and Demand	Ch.8
3/15-17	No Class – Spring Break	
3/22-24	Production and cost	Ch.10,11
3/29	Production Cost/In-class problem set #2	Ch.10,11
3/31	Midterm #2	
4/5-7	Perfect competition	Ch.12
4/12-14	Monopoly	Ch.13
4/19-21	Monopolistic competition	Ch.14
4/26-28	Public goods	Ch.17
5/3	In-class problem set #3/review	

NOTE: the final exam will be sometime during the week of May 9 – 13. Do not schedule travel or make any commitments during this period that might conflict with your exam time. Final exams cannot be rescheduled.

