Econ 101 Course Goals and Learning Outcomes

(1) Economic fluency: Econ 101 students should become fluent with the basic terminology of microeconomics. This includes being able to provide precise definitions for fundamental economic concepts such as opportunity cost, comparative advantage, supply, demand, equilibrium, elasticity, marginal utility, marginal product, profit, sunk cost, perfect/imperfect competition, oligopoly, externality, public goods, deadweight loss, among others. Students should be able to distinguish objective statements from subjective opinions, recognizing the importance of both.

(2) Marginal analysis: Most broadly, students should develop an "economic thought process" that considers human actions and interactions from the perspective of choices being made by individuals who continually compare expected benefits and costs (or "pros" and "cons"). Economic theories force us to make explicit our assumptions about objectives and constraints. This helps us better predict how changes in policy influence individuals' actions. Students should be able to identify potential decision-makers, objectives, constraints, and the possibility of unintended consequences.

(3) Opportunity cost: Students should be able to apply the concepts of choice and opportunity cost to common situations that involve scarcity and tradeoffs. They should be able to use a production possibility frontier (PPF) to illustrate feasible and infeasible consumption possibilities, efficient use of resources, and increasing opportunity costs. Students should also be able to apply the concepts of comparative advantage, specialization, and exchange to analyze basic resource allocation issues.

(4) Optimization: Students should understand how the optimizing actions of individuals (utility maximization) and firms (profit maximization) underlie demand and supply in markets, which interact to determine price and quantity. They should understand the "marginal concept" that individuals and firms can make optimal decisions by weighing incremental benefits and costs associated with slight changes in the relevant choice variable. They should be able to use both the total revenue / total cost approach and the marginal revenue / marginal cost approach to explain how a firm finds its profit-maximizing output level.

(5) Equilibrium: Students should be able to explain how equilibrium price and quantity are determined in both competitive and imperfectly competitive markets. They should understand how different market structures, firm technologies, and government policies affect market equilibrium and welfare outcomes. Students should be able to contrast market outcomes under different market structures and perform basic analyses of how exogenous shocks (including policy changes) affect supply, demand, prices, and welfare. They should also be able to explain why governments sometimes impose a price ceiling, price floor, or excise tax on a market, along with the likely consequences of such interventions.

(6) Potential market failure: Students should be able to describe the nature of market failures arising from imperfect competition, imperfect information, externalities, and public goods. They should understand how government policies – depending on the soundness of theory and proper implementation – have the potential to either improve resource allocations or exacerbate market failures. Students should also understand the distinction between allocative efficiency and distributional "fairness," the latter of which depends on value judgments.

(7) Interpretation of data: Economic analysis often requires the use of data. Principles of economics students should understand the difference between cause-and-effect (causal) relationships and mere correlations. Using real-world settings, students should be able to articulate why two correlated variables (e.g., labor supply and tax rates) may or may not be causally related from a policy perspective.