91-803 Principles of Applied Economic Analysis
Fall Semester
Professor Ashish Arora

COURSE DESCRIPTION: The course will introduce you to the basic concepts and tools of economics. With these tools we will first attempt to understand how market economies work (and when and where they might not). In so doing, we will also discuss applications of these tools and concepts to management and public policy issues (e.g. How much should your organization spend on securing its information system? How much should we spend to avoid electric power failures?, and Why do market economies have recessions and what can the government do about it?).

COURSE OBJECTIVE: By the end of the term you should have
1. developed an understanding of basic economic concepts and tools such as opportunity cost, comparative advantage, supply and demand, GNP, and fiscal & monetary policy.
2. developed an ability to apply these tools to public policy and management problems
3. developed an ability to critically analyze economic arguments put forward in public policy debates. For instance, you should be able to read and understand the more general material in the economics section of the New York Times, Wall Street Journal, or a comparable publication.

COURSE REQUIREMENTS
1. Regular attendance.
2. All course materials (syllabus, lecture handouts, assignments and answers are available at http://blackboard.andrew.cmu.edu, after you log in. Homeworks can be submitted electronically using the “drop box” feature.
3. In class mid term and final. The exams are open book and open notes.
4. Weekly assignments. Homeworks are due the week after they are assigned. Late assignments for any reason will not be counted towards the final grade. At the end of the semester, you will be permitted to drop your lowest homework grade. You are encouraged to discuss assignments with others to develop approaches to solving the problems. You must, however, write your own answers to the problem sets. Answers to math problems should be sufficiently detailed so that the grader can understand how you got to the answer.

The first instance of cheating on a homework or exam will result in a grade of zero for the homework or test. A second instance will result in a failing grade (F) for the course. Further disciplinary action may be taken at the discretion of the Dean.
PRE-REQUISITES: A pre-requisite for this course is basic algebra and mathematics at the level of 90-000. This pre-requisite is to ensure that you are comfortable with graphs and basic algebra frequently used in economic analysis, and I shall assume that you are comfortable with these tools. In my experience, lack of familiarity with math at this elementary level can result in a significant increased in the amount of time a student will have to devoted to this class.


EXPECTED WORK LOAD: Your work load is expected to be about 10-15 hours a week. Class time: 3 hours Weekly reading: 3 hours Review session: 2 hours Assignments: 2-7 hours There will be one weekly review session (details TBA) conducted by a teaching assistant, who will assist in grading and also hold regular office hours. You are encouraged to attend the review sessions, and meet with the TA during scheduled office hours.

GRADING: The final grade for the course will be calculated as follows:
Homework 15%, Midterm 40, Final 40%, Class participation 05%