

Purpose

How might an economist's perspective on contemporary issues differ from that of other social scientists? By exploring the nature of economics, and applying its method, this course offers an answer.

The principal axiom of the science is simply that an individual chooses or rejects an action by comparing its value (benefit) with the value of the best alternative that would have to be forgone (cost). Benefit and cost are values, context-dependent subjective beliefs about the future that are shaped by a wide range of factors studied by every social and physical science. They include legal structure and cultural tradition, the availability of markets, technology, the nature and strength of the actor's moral beliefs, desire for peer approval, and, yes, the eternal quest for the material well-being that money brings.

About two-thirds of this course will focus on principles usually considered microeconomic. Specific applications might include environmental choices, aspects of American economic history, elected politicians' actions, health-care and gerontology issues, and lifestyle choices such as home schooling and women's labor-force participation.

The final third of the course emphasizes macroeconomic and international issues such as the structure of the American financial system, monetary and fiscal policy and their effects on inflation, unemployment, and economic growth, and government policies toward foreign trade and exchange rates. Applications might include federal and state tax policies, the 2008-9 "stimulus" efforts, the 1970s' "stagflation" and the monetarist and rational-expectations theories whose acceptability it furthered, the significance of the US trade deficit, recent stock-market and housing booms, and our current economic malaise.

Catalog Description

Use of economic concepts and tools (such as cost and benefit, supply and demand) to facilitate logical thinking about complex social issues and, therefore, to promote understanding of society and of other social sciences. (3)

Outcomes

The outcome this course seeks is the ability of the social scientist properly to apply economics' core benefit/cost principle in a wide variety of contexts, including an understanding of its philosophical nature and its unintended consequences. Such a facility contributes immeasurably to the social scientist's ability to think logically about, and understand, complex social issues.

TEXTBOOKS (REQUIRED): Mankiw, N. Gregory, *Principles of Economics*, 5th ed. (Orlando: Dryden, 2008)
Hazlitt, Henry, *Economics in One Lesson* (New York: Crown, 1979)

(RECOMMENDED): Hayek, F. A., *Individualism and Economic Order* (Chicago: University of Chicago Press, 1948)

ADDITIONAL READINGS: For most weeks, additional articles relevant to applications are assigned. They will be made available as online links or hard copies distributed to the class.

WALL STREET JOURNAL: It is not required, but everyone who is serious about economics should read it regularly. Cheap student rates are available, including both print and interactive editions. Let me know if you're interested.

ATTENDANCE and CONDUCT: It's not optional at your job; it isn't here, either. One unexcused absence is OK, but each additional unexcused absence will reduce the student's grade by 5 points. Normal courtesy and civility are expected, and up to another 5 points may be deducted if, in my subjective judgment, it isn't demonstrated. (Snacking in class is usually such a violation, but our dinnertime class calls for an exception; just be reasonable... no taco platters, etc.) Wearing hats is not appropriate, and no electronic devices (including laptops, cell phones, and pagers) are to be used during class. If your job requires your pager, make it silent and respond to it during our break or after class.

GRADING: Your grade will be determined by two short papers (5 pages) described below and a research paper on a topic of your choice (see below). Each shorter paper will count 25%, and the research paper 50%. Grades assigned will be A (90-100), B (80-90), C (70-80), or F (less than 70).

SHORT PAPERS: Please write these papers without collaboration with others in the class, but you may use our textbooks, lecture notes, and any other written material you wish. Their purpose is to reinforce and demonstrate your understanding of certain ideas that are fundamental to “the economist’s perspective.”

The first, due February 28, is “Supply, and Demand, and Supply and Demand,” to demonstrate your understanding of the two concepts individually and then how they interact. They should be based not just on Mankiw’s textbook, but also our lectures and additional readings to this point in the course. No more than ½ page should consist of graphs—and I suggest one demand, one supply, and one supply-and-demand, or perhaps even just the combination. I’m looking for an understanding of the meaning and significance of these concepts, in addition to graphical mechanics!

The second paper, due March 28, is “It’s Everywhere! Hayek’s ‘The Use of Knowledge in Society’.” This paper should state clearly the core theme of Hayek’s article, then demonstrate how our other readings (don’t forget Mankiw and lectures) have applied or relied upon this theme. Specific integration with our other outside readings is required here; if you write only about Hayek’s piece without integrating it into our other material, you’ll get it back for a rewrite, and a reduced grade.

MAJOR PAPER: Several weeks into the semester, each student will suggest a topic consistent with his/her interests for my approval and advice; this advice may be, depending on the topic, to consult with another professor if any is participating in the course. This paper is to apply proper economic reasoning to a specific issue and should refer to many of our readings. (WARNING: A history or political science paper modified with a flimsy reference to Mankiw or Hazlitt is not acceptable! I’ve seen them. Don’t try it.) Papers should be twenty to twenty-five pages in length (standard margins and font sizes), plus references. The final work is DUE MAY 16, in class. Submit it in both PAPER and ELECTRONIC formats. For each day (or partial day) either format is late, 5 points (10% of the paper’s grade) will be deducted.

PRESENTATION OF PAPER: Each student will present his/her paper to the class during our last scheduled class period (May 16) or our scheduled final exam period (May 23). Its length will be determined by our class size, but typically runs about 15 minutes. The nature of your presentation is up to you, though it’s good practice to try to do a professional job. If a student offers no presentation, or a blatantly unsatisfactory one, his grade on the paper will be reduced by 7 points.

ACADEMIC STANDARDS are strictly enforced. You are expected to know what plagiarism is, and the violation of this academic standard on any paper will be dealt with as harshly as the University permits, including (but not necessarily limited to) an F in this course, with plagiarism identified on the transgressor’s academic record.

STUDENTS WITH DISABILITIES: In accordance with university policy, if you have a documented disability and require accommodations to obtain equal access in this course, please contact the instructor at the beginning of the semester and when given an assignment for which an accommodation is required. Students with disabilities must verify their eligibility through the Office of Disability Support Services (AD 232).

COURSE WITHDRAWAL: Please note that the last day to drop the class is noted in the online Academic Calendar. Students dropping on or before this date will receive a W on their official transcript. Withdrawal after that date will require an assignment of a letter grade for the course.

CLASS TOPICS AND ASSIGNMENTS

You will benefit most from the class if you can do the reading before the class in which it will be discussed; try to do week 2's "Reading," for example, before our second class meeting. NGM is "N. Gregory Mankiw," our principal textbook; HH is Henry Hazlitt's *Economics in One Lesson*.

WEEK	DATE	READING ASSIGNMENT AND TOPIC OF CLASS
1	31jan	Introduction: What is economics? What does it do, and how? Reading: NGM Chs 1, 2, and 4; HH Chs 1-3
2	07feb	Supply and Demand I: How Markets Work, continued Reading: NGM Chs 5, 6; HH Chs 15-18; Hayek, "The Use of Knowledge in Society," in <i>Individualism and Economic Order</i> ; Hayek, "The Non Sequitur of the 'Dependence Effect'";
3	14feb	Supply and Demand II: Markets and Welfare Reading: NGM Chs 7, 8; HH Chs 13, 14; Read, "I, Pencil" http://www.fee.org/Publications/the-Freeman/article.asp?aid=3308
4	21feb	International Trade I Reading: NGM Chs 3, 9; HH Chs 11, 12 (16p); Bastiat, "A Petition of the Candlemakers" (4p)
5	28feb	International Trade II Reading: Yeager and Tuerck, Chs 6, 7 of <i>Trade Policy and the Price System</i> (16p); Bauer, P. T., "Western Guilt and Third World Poverty" (19p) FIRST PAPER DUE: "Supply, and Demand, and 'Supply and Demand'"
6	07mar	The Economics of the Public Sector Reading: NGM Chs 10, 11; Anderson and Leal, Chs 1 and 2 of <i>Free-Market Environmentalism</i> ; Gwartney and Wagner, "The Public Choice Revolution"; Hayek, "Why the Worst Get On Top," Chapter X of <i>The Road to Serfdom</i> (18p.)
7	14mar	Firm Behavior and the Organization of Industry Reading: NGM Chs 13-15; TS Chs 6-8; Armentano, Chs 1 and 9 of <i>Antitrust and Monopoly</i> ; Hayek, "The Meaning of Competition," in <i>Individualism and Economic Order</i>
	21mar	SPRING BREAK
8	28mar	The Economics of Labor Markets Reading: NGM Chs 18-20; HH Chs 7-10, 19-21 SECOND PAPER DUE: "'It's Everywhere!' Hayek's 'The Use of Knowledge'"

WEEK	DATE	READING ASSIGNMENT AND TOPIC OF CLASS
9	04apr	The Data of Macroeconomics Reading: NGM Chs 22, 23; HH Chs 4-6
10	11apr	The Real Economy in the Long Run Reading: NGM Chs 24-26
11	18apr	Money and Prices in the Long Run Reading: NGM Chs 27, 28; HH Chs 22-24; Friedman, "The Role of Monetary Policy"
12	25apr	The Macroeconomics of Open Economies Reading: NGM Chs 29, 30
13	02may	Short-Run Economic Fluctuations Reading: NGM Chs 31-33; HH Chapter 25
14	09may	Some Issues in the Philosophy of Economics Reading: Hayek, "'Social' or Distributive Justice," Chapter 9 of <i>The Mirage of Social Justice</i> (Vol. 2 of <i>Law, Legislation and Liberty</i>), pp. 62-106; Rand, "Man's Rights," in <i>The Virtue of Selfishness</i> ; Rand, <i>Atlas Shrugged</i> , pp. 387-391 (pb.); d'Anconia on money
15	16may	Presentation and discussion of term papers, Part I
16	23may	Scheduled final exam period; Presentation and discussion of term papers, Part II

IMPORTANT DATES:

February 28	First short paper due (on supply and demand)
March 28	Second short paper due (on Hayek's "Use of Knowledge")
May 16	Major paper due, and first set of class presentations (last class day)
May 23	Second set of class presentations (scheduled final exam day)

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Popularizing economics... trendy and up to date, but Hazlitt still sets the standard!

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Help with actual economics:

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OTHER WORKS:

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