

**Course Information**

There are no prerequisites for this course. There will be two class sections for this course.

1. **Section 40735:** Tuesday and Thursday, 3:25pm - 4:40pm (Hutchison 140)
2. **Section 93041:** Monday, Wednesday and Friday, 9:00am - 9:50am (Goergen 101)

The course content will be identical in each section, only the meeting times and lengths will differ.

**Websites**

There will be two web pages in use for this course, an administrative site and an interactive educational site. The administrative site (Blackboard) for the Tuesday-Thursday class [is here](#) and for the MWF class [is here](#). I maintain the interactive site at <http://theunbrokenwindow.com/teaching/economics-108/>.

All course materials will be available on each site with the exception of *some* course readings, which must be placed on the Blackboard site for copyright purposes. On my website I will put up links to interesting articles, create an area for student interaction, and provide links to other economics websites.

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**Instructor Information**

- Office Hours: (Official Hours) Monday, Wednesday, Friday 10:00am – 10:50am; Tuesday, Thursday 12:30pm to 1:45pm or by appointment.
- Office Location: 234 Harkness
- Office Phone: 275-5273
- E-mail: [michael.rizzo@rochester.edu](mailto:michael.rizzo@rochester.edu)
- Other Phone: 413-553-3136 is my home line and 859-319-1518 is my cell phone. I am more than happy to chat with you from home if you need me. Please try not to call after 10:00pm. I urge you to leave a message if I do not answer, I am often found with my hands full and neglect to charge after a ringing phone due to concerns for my own, my wife's, our animals' and our children's safety! Or I am just a grouch that doesn't enjoy answering phones on demand.

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**Course Description**

The goal of the course is to help students consistently apply common sense to the world they live in and think about. A complementary goal is to promote critical thinking skills in all students, particularly by helping them overcome the tendency to pay too much deference or to defy too often, those that seem to be in power. Because I am your professor does not mean that I understand everything well, or that you necessarily agree or disagree with anything I say, simply because you might or might not identify with the material I am hoping to learn with you. So, my task is to help you recognize facts that might be inconvenient for your pre-existing opinions – as I journey through learning economics, I still encounter these regularly (e.g. governments have done some things right through history).

Each year thousands of students study economics. The work of millions of writers, politicians, pundits and educators requires a basic proficiency in the fundamentals of economic analysis. Sadly, few have been able to demonstrate such competence. A quick note of some recent quotations will demonstrate this quickly: "I have a plan for energy independence within 10 years...we're going to free ourselves from this dependency on Mideast oil", "Hurricanes Boost Florida Economy", "We are running out of (insert resource name here)", "The market is only creating bad jobs", "Boycotting the products produced by sweatshop laborers will teach (company name) a lesson", "Farm to Cafeteria ... makes good economic sense", etc.



Economics is about the everyday world around us. The study of economics is intended to equip you with a set of tools to analyze the difficult decisions, and incentives, faced by individuals, firms and governments – it is a theory of choice and its unintended consequences. In other words, the goal of this course is to introduce you to a *way of thinking*, not simply to show you a set of principles that are an ends unto themselves. The goal of this course is to enable you to analyze economic policies logically, and in a way that you can illuminate an issue rather than rabble-rouse it. The goal is to enable you to take positions of public affairs based on facts, knowledge and intelligent analysis of the consequences of policy proposals.

These goals will be achieved through a careful study of economic theory mixed with a substantial dose of real-world application. We will frequently visit common myths and misperceptions about economics and understand why they have evolved, what the errors in thinking are. The majority of the course will focus on microeconomics – or the study of the choices and constraints faced by individual decision making units. Example of questions to be answered include: why support for the minimum wage is much stronger among politicians than economists; when should a business decide to open or shut down; why do diamonds cost so much more than water if water is necessary for human survival? The last portion of the course will introduce you to macroeconomic analysis – a study of the consequences of microeconomic decisions on national income, national employment levels, the overall price level in an economy, how government actions affect the economy and how the Federal Reserve Bank impacts the economy.

Throughout our analysis of markets and the price system, we will discuss the important interplay between morals and efficiency; we will address the importance of individual consumer sovereignty; and we will address the difficulty of drawing policy implications from our standard theory. In addressing these, I hope to make the course more interesting to you, and to better inform your thinking on real world policy issues.

In our evaluation of the criticisms of market systems, we will not only visit traditional notions of “market failures” but also the possibility that markets are doing all that they are intended to do, but still cause consternation for a considerable portion of society.

While the course will not rely on as heavy a dose of graphics and algebra as one might expect from an economic theory course, it will still nonetheless be an important tool to help illustrate difficult economic concepts. The course will combine a combination of traditional lectures, classroom experiments, video clips and discussions (or debates).

Finally, I'd like for you to understand that the study of economics is not an attempt to design the world around us – it is far too complex a task. Rather, it is intended to have you appreciate this marvelous complexity. In addition, the study of economics would be hollow if not supplemented with a solid appreciation of philosophy, psychology, hard science, literature, culture, language and more. This is why the study of economics is a vital component of a true liberal education. It would be productive to learn that nearly all of the “original” economists that you might have heard of were actually Moral Philosophers. In fact, Adam Smith, best known as the “Father of Modern Economics” and for writing “The Wealth of Nations” in 1776, actually wrote a classic, “The Theory of Moral Sentiments” in 1759. The “Wealth of Nations” cannot be treated as a separate work from it, but rather as an extension of it. The essence of the two is that free-markets and a global economy work only when a majority of citizens have a concern for justice and the cultivation of virtue. That these essentials are often overlooked by critics of the market system and Smith himself has led to widespread misunderstanding of economics.

### Course Materials and Resources

There is one required book for the course and one additional recommended selection. The required course readings will come from the textbook as well as from some additional materials that will be drawn from a variety of print, online and multimedia sources. For those [interested in further reading](#), I will add selections from the non-required reading to your course reading list.



1. The text is a custom edition of Economics: Private and Public Choice, 12<sup>th</sup> edition, by Gwartney, Stroup, Sobel and Macpherson (GSSM). This is an excellent textbook appropriate both for an introductory class and as a primer for upper-level classes. Whether I cover the material directly or not it will be an excellent resource for you. The textbook is fairly expensive (list price for full edition is over \$190), which is why I ordered a custom copy for you with about 40% of the chapters that are in the full edition (bonus question: is this *really* going to be a cheaper option for you?) The bookstore is selling it new for \$126.05. There are no used copies. However, if students can find the full edition of this text elsewhere, perhaps it can be had less expensively. Furthermore, earlier editions (e.g. the 11<sup>th</sup>) are not extremely different than the one I am using, and I can find copies of that for less than \$20 on Amazon. Note that the purchase of the custom textbook will allow you to have access to the plethora of online support resources provided by Southwestern. Note also that at least for next year I plan on assigning the same book, but cannot make any promises beyond that.
2. The recommended, but not required, book is called The Undercover Economist by Tim Harford. It is a witty and non-technical work of economics prose that, when read along with the text chapters, really helps to illuminate and clarify the basic economic topics we will be covering. Among other things Tim Harford writes the "Dear Economist" column for the Financial Times. The campus bookstore has stocked copies for us. The book is selling for \$14.95 new, for \$11.20 used and for \$9.99 in the Kindle edition at Amazon.
3. An introductory economics textbook does injustice to the complexity and subtlety of many economic issues that give them real meaning. To understand and appreciate these subtleties, it is not enough to pay attention to my classes, or to read the text, but rather to read original and analytical texts. When I went through introductory economics, I never heard the names of (or if I did, I certainly did not read any) Adam Smith, Karl Marx, F.A. Hayek, J.M. Keynes, Thorstein Veblen, Milton Friedman, John Kenneth Galbraith and many more influential thinkers. When I assign "Commanding Heights" it is in some way intended to make up for this. But I also put together a collection of supplementary readings that will enrich your understanding, and hopefully increase your enjoyment of, economics principles. Many an economics student (even PhD students) will go an entire career without reading any of these original works, but yet will reference them repeatedly, and form opinions on them nonetheless. Some names may not be familiar to you, but their inclusion should indicate their importance, given the high opportunity cost involved.
4. All readings attached to this syllabus are required. All required readings that are not in your textbook are available online. I have distributed a separate, [longer reading list](#) that includes supplemental readings (it is also on the website). You are strongly encouraged to do the required readings. In some cases the readings mirror what we will be covering in class (e.g. the textbook material on supply and demand), but in a majority of cases the readings are meant to complement what we are doing in class. This is intended to give you multiple types of exposure to the material, and to help you think critically about what we discuss in class.
5. This is still only a preliminary list. The topics and readings are subject to change. I will also be adding a series of short articles to the list and on the website as the semester progresses. During the course of the semester I may periodically assign articles and papers to read that have not yet been listed on the syllabus. In all cases, you will have access to PDF or other online formats on the course web page in order for you to be able to access the readings anywhere a computer is available. Any readings that I add to this list will NOT be required. The indicated required readings below will not be subject to change.

### Class Policies

1. *Attendance – missed classes*  
We are all adults and I will treat you as such. While attendance is not mandatory, I would



obviously prefer it if you came to each session as I believe the material is easier to digest the more times you get to see it. In addition, I do not simply follow the readings for the class sessions – the readings are meant as a complement, not as a substitute for class time.

While attendance will not be directly factored into your grade for the course, I will be evaluating you on things that happen inside the classroom, which can obviously not be “made up” when a class is missed. Note that if you miss a class, **you** are responsible for obtaining the material that was covered in that class and you are responsible for understanding any changes to the course that may have occurred in your absence – I will not provide these to you.

If you are missing a class for a college sponsored event, please notify me at least one week in advance. You should try to secure notes from a classmate, and I will make arrangements with you to make up assignments, exams, quizzes, etc.

2. *Attendance – late for class*

Class time is limited and students entering class late are a distraction to both fellow students and the instructor. Students arriving late for class will therefore suffer a penalty of 1/3 of a grade on the most recent homework or writing assignment score for each day you show up late for class. It's not OK to show up late for a job and it will not be OK to show up late for a class either.

3. *Rescheduling Assignments*

If the timing of a certain assignment is extraordinarily difficult for you to satisfy, please see me BEFORE the assignment is due so that we can work out a solution together. When I say BEFORE, I do not mean midnight on the evening it is due, but 3 or more days advance notice is sufficient.

4. *Late Work*

Unanticipated late work will not be accepted and will receive a grade of zero. This policy is in effect in order to be fair to those students that do complete their work on time. Once again, late work on a job is not acceptable, nor is it acceptable in this class. Students with medical or other emergencies will not be penalized if a note from Health Services or Student Support Services has been provided to me.

5. *Please be Respectful of your Fellow Classmates*

Please turn off all cell phones, beepers, etc. during class. If a phone or beeper as much as vibrates during class, I will enjoy speaking with the person that calls you to let them know you are in the middle of class. If the problem persists, I will enjoy the use of that device until the next time class meets - which will include me answering all calls on your behalf during that time!

6. *Students with Special Needs*

If you need special accommodation for classes and / or assignments, please see me BEFORE the assignment is due or class meets so we can work out something that will make you comfortable. Students who request an accommodation must provide appropriate documentation to the Disability Coordinator in their respective college or school. A list of the various coordinators for each school can be found here. General accommodations made to qualified individuals in the past have included provision of assisted listening devices, note takers, and interpreters and arranging for extended test time, alternative test locations, and use of adaptive equipment.

7. *Feedback*

I urge each of you to provide me with feedback throughout the term. You may simply e-mail me or see me or place a note in my mailbox or under my office door (anonymously if you like). I have also placed a lecture evaluation link on the Blackboard website (“Feedback”) if you prefer your critique be publicly viewable – you can also post anonymously to this forum.

## Course Requirements



A. Examinations (60% of course grade)

- You will have three examinations during this course, two midterms and a final.
- Each of the two midterm exams will count as 15% of the course grade. The final exam will count as 30% of the course grade.
- The first midterm will be in-class during the week of October 6 (just after Fall Break). The second exam will be in-class during the week of November 10.
- The final examination will be a three-hour written, in-class examination. The final exam for section 40735 (the Tues-Thurs class) is scheduled for Thursday, December 18<sup>th</sup> from 8:30am to 11:30am in Hutchison 140, our regular classroom. The final exam for section 93041 (the MWF class) is scheduled for Saturday, December 20<sup>th</sup> from 8:30am to 11:30am in Goergen 101, our regular classroom. Like the mid-term exams, the exam will be writing intensive, and will not be a humongous multiple guess test. Students may not take the final at any time outside of the one scheduled by the Registrar.
- There will be NO MAKEUP examinations offered. An *unannounced* missed exam will result in a grade of F. If you are excused from an examination, your final and remaining midterm examinations will make up larger portions of your course grade.

B. Writing Assignments and Exercises (20% of course grade)

There will be semi-regular writing assignments throughout the term. These will be handed out in class. All of the writing assignments are to be completed individually. Examples of these assignments include identifying signs of economic illiteracy in the press or other external sources (e.g. in a conversation you had over lunch, etc.) or providing insights into interesting economic questions of the day (e.g. where does competition come from?).

1. I plan to offer several (around 4 or 5) writing assignments throughout the course of the term. Details of each assignment will be provided during class.
2. Particularly since this course will not be taught at a highly technical level, the ability to convey the ideas you learn in this course is essential. An ability to write clearly and concisely is not only important for this course, but it is vital for your success in most any career you pursue beyond your time here at Rochester.
3. The assignments and exercises will have some variety to them. You may be asked to write an Op-Ed piece, to participate in, and evaluate, your own exchange experiment, write a review of one of the documentaries we will watch, evaluate a classroom experiment, evaluating the economics of a popular media piece, just to name a few possibilities.
4. These assignments may be used to generate additional class discussion, so please be prepared to share your work with your classmates.
5. BONUS OPPORTUNITY #1: Students interested in conveying economic literacy to a popular audience are encouraged to submit for publication on Op Ed piece on a topic of their own choosing (it may be based on the research project for this course). Bonus points will be awarded for evidence that you have submitted the piece to a newspaper or magazine, and that the piece is being considered for publication. I do not wish to inundate the Rochester Democrat and Chronicle with submissions, so I will look favorably



upon submissions to your hometown papers – or if you feel like your piece is of high enough quality, to a national paper or magazine. A published piece will result in an additional 10% added to your course grade with a grade of an “A” assigned to that 10%. If you demonstrate that you submitted the piece, and it is not published, but of good quality, I will publish it on my website and reward you with 6% to your course grade.

6. BONUS OPPORTUNITY #2: I place a high value on creativity and an entrepreneurial mind (probably because I am neither creative nor entrepreneurial). Rather than responding to my written assignments, students that are able to create their own writing assignment will be considered for bonus points. To receive the bonus, the assignment must be original, you must complete the assignment, and it must be an assignment that would be appropriate for your classmates to complete, or for future students of Eco 108. Each assignment that you create will result in an additional 5% added to your course grade, with a grade of an “A” assigned to each 5%. Therefore, you are eligible to have 20% added to your final grade.
7. To illustrate how the bonus opportunity works, suppose your course grade for the year averages out to 89 out of a 100. If you have an Op Ed piece published in the Danville Advocate-Messenger, for example, I will add 10 more points to your grade – so your new course grade would be 99 out of 110. This would average to a 90 rather than an 89. By now you might have figured out (correctly) that this bonus is “progressive” in that those of you with lower course grades can benefit proportionately more from receiving the extra credit than those of you with higher course grades.

#### C. Group Research Projects (20% of course grade)

- We will randomly assign you to a group of 4 students within your recitation section. Each group will then have a project topic randomly assigned to them. In many employment situations, you will have little control over who your colleagues are, and what tasks you are expected to complete. Under no circumstances will you be permitted to switch research topics or group members. Consider this a little pre-employment preparation!
- Overview: Many of the problems covered in the general and business press are economic problems. Rarely do those writing about these problems clearly understand the basic economics that might explain (partially) the causes and consequences of such problems. This project is intended to have you use the basic tools of an economist coupled with the top-notch resources of our University of Rochester library to critically evaluate and clearly communicate the essentials of real-world problems.
  - Projects will entail you learning about the economic underpinnings of the problem, including regulations, market conditions, political influences, other institutions, etc., and then having you summarize this information in a clear graphic (or table).
  - After presenting the problem clearly, groups are expected to use the tools from this course to analyze their particular problem – causes, consequences, and other relevant issues.
  - Each project will include an outline, a research paper, and a public presentation.
- Outline: Due on the last class during the week of October 27. Each outline should be one page in length and include a sketch of your thinking about the problem, including a mention of the underlying institutions, and a separate page for references you have begun to use.
- Research Paper: Due on Thursday, December 4 by 5:00pm. Reports are to be submitted in Microsoft Word or in a pdf format electronically. I will let you know where to submit these in November. Reports do not have a minimum or maximum length, but 2,500 words should be a reasonable target. You may include as many or as few charts and tables in your paper as



- you wish to convey your point(s). Every paper must include a bibliography. A complete citation must be included for any material you used to prepare your report.
- I recommend that several of your sources come from scholarly, peer-reviewed materials that contain primary research or professional policy analysis. Examples of acceptable sources include:
    - a research article in a peer-reviewed journal, for example, the *Journal of Economic Perspectives*.
    - A policy book or report published by a think-tank. For example, the Urban Institute's, "[After Katrina Rebuilding Opportunity and Equity Into the New Orleans.](#)"
    - a book on policy or other books published by a university or government press, for example, an intermediate-level economics textbook is a scholarly source, as is a book such as [Tuition Rising: Why College Costs So Much](#).
    - a working paper by the National Bureau of Economic Research;
    - other professional sources.
  - Op-Eds, news articles, blog entries, podcasts, commentaries, etc. are NOT considered scholarly sources. Your TA and reference librarian can help you determine what is and is not an appropriate scholarly source.
  - All sources must include proper bibliographic citations, even if they were accessed electronically. Web addresses are not sufficient citation sources. Confidential or unpublished sources must be able to be validated by your TA. All citations will be checked for adequacy and completeness.
  - Presentations: Depending on the recitation sizes, your presentations will be made during the last two or three recitation sessions – or during the last week of classes. Each group is expected to deliver a 10-minute oral summary of your research project. All members of the group must participate and be present and prepared to answer questions during and after the talk. Several members of the TA staff, me included, will be present to watch and grade your talks. Handouts will be welcome if they help the audience follow your presentation, but they are not required. It is up to your group how to conduct the talk (ppt, chalkboard, overheads, etc.) – we will work with you to arrange appropriate technology as the date nears.
  - Reference Librarian: On Friday, September 19 or Friday, September 26 the librarian for economics, Suzanne Bell, will be coming to your recitation section. Suzanne and I have talked about your project, and she is familiar with all of the topics that we have chosen. You will know your group and your research topic at this time. Suzanne will present a brief demonstration of the research tools at your disposal in Rush Rhees Library.
  - Grading: The written report will be worth 55% of the project grade, the talk will be worth 25% and your evaluation by your other group members worth 20%. Peer evaluation forms will be due back to your TA by Monday, December 8 at 5:00pm.
    - Your research paper will be evaluation based on four criteria: (1) the quality of the economic analysis, regardless of the policy position you take or support (if any); (2) the ability to convey the problem clearly and correctly in both prose and graphics; (3) how well you understand the supporting data and statistical tools (if any); (4) effective and correct use of peer-reviewed articles to prepare your paper.
    - The classroom talk will be evaluated on three criteria: (1) the clarity of the presentation of the problem and its elements; (2) the clarity of the analysis of the



relevant economics; (3) facility in responding to questions.

- The peer evaluation will be based on three criteria: (1) did you do a “fair-share” of the overall work? (2) did you make any exceptional contributions to the overall effort? (3) did you cause disruptions or difficulties for other group members?
- Examples of excellent papers and projects are available on the Blackboard websites. These are confidential, and not to be used or distributed in any way, aside from demonstrating what effective research projects look like.

D. Problem Sets: (ungraded)

There will be at least four problem sets assigned during the semester. Each is designed to help you prepare for the exams and to think about the text and class materials in a different way. These problem sets will neither be graded nor collected. The essay questions in the problem sets are good indications of the types of questions that will appear on examinations. Solutions to some of the questions will be posted on the course websites. The TAs will be available to help with the problem sets during the recitation days where I have not scheduled an activity. Of course, I am always happy to have you see me to think through the problem sets. Students are also encouraged to work through the critical analysis questions at the end of each textbook chapter.

E. Recitations:

Students will be required to register for a recitation during the first class lecture. The recitations will likely be held at various times on Friday and there should be 6 sections available to choose from. Once you sign up for a recitation, you must attend only that recitation. These sessions are mandatory, but I have not scheduled a meeting for every single Friday of the semester. See the course websites for a recitation schedule, I will also announce these in class each week. While I would love to be able to attend each recitation, I need to teach a regular course on Friday and I also need to be available for office hours. I will come as often as I can, but these will largely be run by your teaching assistants.

F. Course Contributions and Classroom Productivity (my discretion)

This is not simply a verbal class participation requirement. A small portion of your final course grade will be a function of how well you are making use of your time outside of class. Due to the very short time span in which a large amount of the material is covered, it will be nearly impossible for you to appreciate the complexities of economics without doing all of the assigned readings and exploring in detail the many questions I will be asking. This is particularly the case given that the amount of reading you might do to introduce yourself to economics is infinite plus I do not like to follow the readings precisely. That does not mean you are not responsible for all of that material. Your hard work and seriousness of purpose will benefit all of your classmates as it will vastly expand the number of things we can discuss and learn in class, but also enhance the depth of the debates that will take place. To the extent that you are able to raise the level of the conversations we have in class by your preparation and asking of serious questions in class, you will be rewarded in your grades. To the extent that you demonstrate a lack of respect for your classmates and the instructor by either not preparing fully for class, by not being fully attentive in class or by not pulling your weight in completing the assignments, your course grade will be negatively affected.

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**Grading Policy**

To summarize from above, your course grade will be comprised of:

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|-----|-------------------------------------------|-----|
| I.  | First Midterm Exam (week of October 6)    | 15% |
| II. | Second Midterm Exam (week of November 12) | 15% |





III.	Writing Assignments and Exercises (4 of them, min.)	20%
IV.	Group Project	20%
V.	Final Exam	30%
VI.	Course contributions and productivity	my discretion

Grades will be based on your demonstration and mastery of knowledge and skills learned throughout the formal course meetings and on your ability to think critically about and to analyze the situations you encounter outside of the classroom.

Though the total of the above scores is 100% there will be ample opportunities to either improve upon or damage your grades. Some have already been pointed out; I will point out others as we move through the semester.

You are NOT in competition with your fellow classmates for grades. **Economics is NOT a zero-sum game, nor is learning.** I have no limits on the number of A's I will award. At the same time, I do not have a target number of scores to award either. You will receive the grade that you **earn**. While effort alone is not sufficient to secure a top grade, students that demonstrate a continued effort throughout the course will have many opportunities to improve upon a poor grade.

The grades will not be curved. Your total score for the course will be converted into a percentage (properly rounded). Then, I will use the following grade scale to determine your letter grade:

94% - 100%	A
90% - 93%	A-
88% - 89%	B+
83% - 87%	B
80% - 82%	B-
78% - 79%	C+
73% - 77%	C
70% - 72%	C-
60% - 69%	D
below 60%	F

#### Regrading Policy

In cases where clear grading mistakes have been made (e.g. points are added up incorrectly) please notify me immediately and I will correct them.

In cases where there is a dispute over a grade, I ask that students not just "barge into my office" with a complaint. I will listen to all disputes as long as the student submits a written (or e-mailed) description to me as to why she/he feels the grade is incorrect before you come to see me. If it is clear that I have made a mistake, I will make the change. In cases where complaints are non-specific and your submission does not address the economics of the question asked, I will not consider the request.

#### Some other thoughts on grades:

For those of you that are nostalgic about higher education, I pulled the following grading guidelines from a professor at an elite liberal arts college in the early 20<sup>th</sup> century:

Students shall receive a letter grade of:

**A** when students have excellent command of the subject matter and demonstrate an ability to apply their knowledge beyond the specificity of the course materials. Their knowledge of the subject matter includes some of the finer points of economics and may include information not specifically addressed in any one lecture. These students would be able to break down this material and explain it to people with no prior knowledge of the subject. This presentation often takes a different form than the way it was presented to



them in class;

**B** when students have a very good command of the main ideas of the subject matter. These students would be able to give out the course material in a manner similar to which it was given to them;

**C** they are similar to a B student except that command of the main ideas is rudimentary and fragmented;

**D** when students have very little knowledge of the subject matter, but demonstrate at the very least that they recognize some of the material that has been presented to them;

**F** when students have clearly made no effort to learn. Their performance is indicative of such and their work shows no interest in the subject matter and does not demonstrate that the material is even familiar to them.

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### Academic Honesty

Academic honesty is a serious matter; students in this course are expected to strictly abide by the College of Arts and Science's Academic Honesty Policy. The entire policy can be [read here](#). More information about these policies can be found at this [website](#). If I suspect a student of compromising their honesty or integrity, I am bound by university policy to report the incident to the Board of Academic Honesty. Note that by university policy I am **not** permitted cases of suspected dishonesty on my own with the exception of there being a very clear cut case of misunderstanding.

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### Course Topics

We have 14+ weeks of class and only 36+ class hours to work with. In order to keep the pace of the course flexible and the content adaptable, I will include an outline of the topics and readings I'd like to cover, but the specific dates (as well as the topics) and relevant readings are subject to change. I will put supplemental readings on the course readings section of the blackboard webpage and my webpage. The mandatory readings can be found in the list below.

### Section I: The Economic Way of Thinking

#### A. Introduction

- i. What is Economics?
- ii. Scarcity
- iii. Social cooperation, planning and spontaneous order
- iv. The market system; anti-market sentiments; biases (and what gives rise to them)

#### Readings

- GSSM Ch1. pp. 1-8, 15-18
- Bastiat, Frederic. 1845. "Abundance and Scarcity," *Economic Sophisms*, Chapter 1. [Available online](#).

#### B. Economic Evolution: Today's Economy in Historical Perspective

#### Readings

- GSSM Ch7, p. 164
- GSSM Ch15, pp. 331-336
- Lucas, Robert. 2003. "The Industrial Revolution: Past and Future," *The Region*, Annual Report of the Federal Reserve Bank of Minnesota. [Available online](#).
- Ebeling, Richard. 2004. "Free Markets, the Rule of Law, and Classical Liberalism." *The Freeman*. [Available online](#).



- Marx, Karl and Friedrich Engels. 1848. *The Manifesto of the Communist Party*. Read the Preface, Section I (Bourgeois and Proletarians) and the last 5 paragraphs of the book. [Available online.](#)
- Lerner, Abba. 1963. "Review of *Capitalism and Freedom* by Milton Friedman." *American Economic Review*, Vol. 63, No. 3, pp. 458-60. [Available online.](#)

Video: The Industrial Revolution

### C. Economics as a Science: Modeling, Theories and Policies

#### Readings

- GSSM Ch1. pp. 14-15
- Peirce, Charles Sanders. 1931. "Morality and Sham Reasoning," *The Collected Papers Vol. I: Principles of Philosophy*. [Available online.](#)

### D. Basic Economic Principles

- Tradeoffs
- Opportunity costs
- Thinking at the margin
- Sunk costs (class experiment)
- Incentives
- Pie fallacy (why economics is boring)
- Market organization
- Market "failure"
- Standards of living
- Inflation

#### Readings

- GSSM Ch1. pp. 8-14
- Bastiat, Frederic. 1845. "Effort and Result," in *Economic Sophisms*, First Series, Chapter 3. [Available online.](#)
- [You might wish to watch: The Family Man](#), the whole movie, but particularly the scene where Nicholas Cage tries to convince Tea Leoni to relocate to NYC.

### E. Ethical Foundations of Commercial Society

- The golden rule
- Selfishness and self-interest
- Soft-values, business responsibility, profits and love
- Trust, faith or confidence?

#### Readings

- Appiah, Kwame Anthony. 2006. "The Case for Contamination," *New York Times Magazine*, January 1, 2006. [Available online.](#)
- Aristotle. (350 BC). *Nicomachean Ethics*. Book V. [Available online.](#)
- Bastiat, Frederic. 1850. "Conclusion to Part I," in *Economic Harmonies*. [Available online.](#)

### F. Scarcity, Choice, Specialization and Exchange

- Basic economic questions
- Tradeoffs
- Wealth
- Trade and exchange
- Production possibilities
- Diminishing returns
- Comparative advantage



- viii. International trade
- ix. Trade statistics and free trade

#### Readings

- GSSM Ch2, pp. 28-33, 38-46, 50-51
- GSSM Ch17, pp. 371-378
- GSSM Ch12, pp. 263-265 (money)
- Smith, Adam. 1776 (6<sup>th</sup> edition: 1791). "Book I, Chapter II: Of the Principle which gives Occasion to the Division of Labour," in *An Enquiry into the Nature and Causes of the Wealth of Nations*. London: A Strahan. [Available online](#).
- Munger, Michael. 2007. "The Division of Labor," *EconTalk*. Podcast April 2, 2007. [Available online](#).
- [You might wish to watch: Babe](#), the scene where Ferdinand the Duck devises a plan to avoid being slaughtered by taking over rooster's crowing responsibilities.

#### **G. Property Rights, Institutions, and Economic Freedom**

- i. Transactions costs and the market
- ii. Middlemen
- iii. Competing political economy models
- iv. Origins of American (western) system of property rights
- v. Economic freedom

#### Readings

- GSSM Ch2, pp. 33-38, 46-48
- GSSM Ch15, p. 336-343
- GSSM Ch16 (including appendix) – we will only briefly cover this chapter in class, but it is important to read nonetheless
- Mill, John Stuart. 1848. "Of Property," in *Principles of Political Economy, with some of their Applications to Social Philosophy*, Book II, Chapter I. London: Longmans, Green & Co., pp. 208-209. [Available online – Private Property Has Not Received a Fair Trial \(last 3 paragraphs of § 3\)](#).
- Alchian, Armen A. "Property Rights," *The Concise Encyclopedia of Economics*. [Available online](#).
- Todd, Walker. 2002. "Property Rights: Origins and Theories," *Economic Education Bulletin*, May 2002. American Institute for Economic Research: Great Barrington, MA. [Available online](#).

Video: [Commanding Heights, Episode One: The Battle of Ideas](#). [Viewable online via Quicktime stream](#).

## **Section II: Analytical Tools of the Economist**

### **A. Supply and Demand**

- i. Double oral auction experiment
- ii. Perfect competition simplification
- iii. Demand
- iv. Demand elasticity
- v. Need or wants?
- vi. Supply
- vii. Opportunity costs
- viii. Supply elasticity

#### Readings

- GSSM Ch3, pp. 55-70
- GSSM Ch19



- Radford, R.A. 1945. "The Economic Organization of a P.O.W. Camp." *Economica*, XII, No. 48, New Series, pp. 189-201. [Available online](#).
  - Galbreath, John Kenneth. 1952. *The Affluent Society*. Boston: Houghton Mifflin, pp. 126-131.
- Ethics Exercise #4 Do Markets Make Us More Moral?

### B. Equilibrium and the Price System

- i. Methods of rationing
- ii. The Market
- iii. Coordinating role of money prices
- iv. Moving toward equilibrium
- v. Changes to market conditions
- vi. The urge to fix prices
- vii. Can you eliminate competition?
- viii. The success of planned economies

#### Readings

- GSSM Ch3, pp. 70-79
- Smith, Adam. 1776 (6<sup>th</sup> edition: 1791). "Book IV, Chapter II: Of Restraints upon the Importation from foreign Countries of such Goods as can be produced at Home," in *An Enquiry into the Nature and Causes of the Wealth of Nations*. London: A Strahan. [Available online – particularly paragraphs 8 and 9](#). (Invisible Hand)
- Rizzo, Michael. "[Riffing on Gas Price Complaints](#)," on The Unbroken Window blog, August 8, 2005.

### C. Supply and Demand Applications

- i. Rent Control
- ii. Economics of Illegal Drugs
- iii. Tax Incidence
- iv. Additional applications: professional sports, poetry readings, gold mines, delis, international trade and more

#### Readings

- GSSM Ch4
- GSSM Ch17, pp. 378-383, 386-390
- No Red Roses for Saudi Valentines. [Available online](#).
- The Great X-Box Shortage of 2005. [Available online](#).
- Ethanol Boom Fuels Brisk Sales of Midwest Farmland. [Available online](#).

### D. Evaluation of Market Mechanism

- i. Consumer and producer surplus
- ii. Welfare
- iii. Interlude (possible): rationality, mistakes, evolutionary psychology and behavioral economics

#### Readings

- GSSM Ch5, pp. 107-110 and reread Ch3, pp. 57-59, 66
- Senior, Nassau. 1836. "Value of the Forces of Supply and Demand," in *An Outline of the Science of Political Economy*. New York: Augustus N. Kelly, pp. 13-17. [Scroll down here](#) to the section on value. (Perfect Competition).

Video: Commanding Heights, Episode Two: The Agony of Reform. [Viewable online via Quicktime stream](#).

### E. SPECIAL TOPIC (POSSIBLE): Economics of Health Care



- i. Popular notions; what is health care?
- ii. Fundamental health care problem
- iii. Insurance markets, application and history of health insurance
- iv. Peculiarities of health “insurance” market today
- v. Current health care cost problem
- vi. U.S. health care system
- vii. Analysis, policy and ethical issues

Readings

- Gawande, Atul. 2005. “Medicine’s Money Problem,” *The New Yorker*. New York: Apr 4, 2005. Vol. 81, Iss. 7; pg. 044. [Available online](#).
- Thoma, Mark. 2005. “Paul Krugman: Economics 101,” for a nice overview on state of health care and thinking in the US. See the links in the post too, particularly Arnold Kling’s comments [here](#) and [here](#). *The Economists View*. [Available online](#).
- Thoma, Mark. 2005. A continuation of the above post – summarizes series on health care from Paul Krugman in the NYT. [Available online](#).
- Roberts, Russell. 1995. “If You’re Paying, I’ll Have Top Sirloin,” *Wall Street Journal*, May 18, 1995. [Available online](#).
- Howard, Paul. 2006. “You Get What You Pay For?” *TCS Daily*, March 10, 2006. [Available online](#).

**F. SPECIAL TOPIC (POSSIBLE): Economics of Risk and Uncertainty**

- i. Danger and delight
- ii. Risk and personal safety
- iii. Why the increased fear of risk
- iv. Environmental and other risks
- v. How this fits in?

Readings

- GSSM Ch5, pp. 107-110 and reread Ch3, pp. 57-59, 66
- [You might wish to watch: Along Came Polly](#), Polly liberating Rueben by taking a knife to his pillows; later Polly uses the key finder to find her keys.

Video: Are We Scaring Ourselves to Death?

- [Part One](#): Risk and Personal Safety
- [Part Two](#): Why the Increased Fear of Risk?
- [Part Three](#): Environmental and Other Risk

**Section III: Profits, Losses and Entrepreneurialism**

**A. Simple Theory of the Firm**

- i. Factors of production
- ii. Profitability
- iii. Wages and rents
- iv. Interest
- v. Calculating profits
- vi. Uncertainty

Readings

- GSSM Ch20 (we will **not** cover the material on cost curves)
- Schumpeter, Joseph. 1942 (3<sup>rd</sup> edition: 1950). *Capitalism, Socialism, and Democracy*. New York: Harper Torchbooks, Harper and Row Publishers, pp. Chapter VII – Creative Destruction.



You might wish to watch: [The Man Who Wasn't There](#), pay attention to the scene where Billy Bob Thornton is cutting Jon Polito's hair.

You might wish to watch: [The Terminal](#), scene where Tom Hanks figures out how to make a living collecting push-carts; and what happens to him after that.

## B. The Entrepreneur

- i. Arbitrage
- ii. Restrictions on competition
- iii. Discounting and present value

### Readings

- GSSM Ch21, pp. 483-486
- GSSM Ch22, pp. 498-502
- Mill, John Stuart. 1849. "Competition and Custom," in *Principles of Political Economy*. London: Longmans Green, pp. 242-47. [Book II, Chapter IV: Available online.](#)
- Rauch, Jonathan. 2008. "Electro-Shock Therapy," *Atlantic Monthly*, July-August 2008. [Available online.](#)

You might wish to watch: [Being John Malkovich](#), cut to the scene where John Malkovich goes to investigate John Cusack and Catherine Kenner for their scheme.

## Section IV: Markets in the Real World: Extra Thumbs on the Invisible Hand; The Grabbing Hand

### A. Competition in the Real World: Price Searching and Market Power

- i. What is a monopolist?
- ii. Choice and market power
- iii. Price takers, price searchers and optimal resource allocation
- iv. The competitive *process*
- v. The theory of price searchers
- vi. Price discrimination

### Readings

- GSSM Ch5, pp. 111-112
- GSSM Ch22
- GSSM Ch23 (we will cover this differently in class, I urge you to read this as a supplement)
- Galbreath, John Kenneth. 1948. "Monopoly and the Concentration of Economic Power," in *A Survey of Contemporary Economics*, edited by H.S. Ellis. Homewood: Irwin, pp. 99-103.

### B. Competition in the Real World: Externalities and Public Goods

- i. Conflicting rights
- ii. Negative and positive externalities
- iii. Thinking about Solutions
- iv. Negotiation and the Coase Thm
- v. Adjudication
- vi. Legislation: command and control, taxes, permits
- vii. Public Goods Experiment

### Readings

- GSSM Ch5, pp. 112-120
- Coase, Ronald. 1960. "The Problem of Social Cost," *Journal of Law and Economics*, Vol. 3 (Oct. 1960), pp. 1-44. [Available online.](#)



- Munger, Michael. 2008. "Orange Blossom Special: Externalities and the Coase Theorem." *Library of Economics and Liberty Feature*. May 8, 2008. [Available online](#).

### C. Government Incentives and Private Incentives: A Public Choice Primer

- i. Markets and Government, Public Choice
- ii. What is the Case for Coercion?

#### Readings

- GSSM Ch6
- GSSM Ch17, pp. 383-386
- Stigler, George. 1984. "A Sketch of the History of Truth in Teaching," in *The Intellectual and the Marketplace*, Enlarged edition, Chapter 6. Cambridge, MA, and London, England: Harvard University Press, pp. 43-50. [Available online](#).
- Munger, Michael. 2006. "Two Steves and One Soichiro: Why Politicians Can't Judge Innovation," feature at the Library of Economics and Liberty. [Available online](#).

### D. The Distribution of Income

- i. Growth and inequality
- ii. Special privilege
- iii. The importance of inequality
- iv. Supply, demand and predetermination
- v. Capital
- vi. Poverty
- vii. Challenges
- viii. Land policy

#### Readings

- GSSM Ch27
- George, Henry. 1879. "Preface," *Progress and Poverty*. New York: Modern Library, pp. xii-xvii. [Available online](#).

Video: [Commanding Heights, Episode Three: The New Rules of the Game](#). [Viewable online via Quicktime stream](#).

## Section V: Macroeconomics

### A. Introduction

- i. Major issues in macroeconomics
- ii. Macroeconomic policy (Ch 11 and 12 if you have full edition, I will not cover these in class)

#### Readings

- GSSM Ch8, pp. 170-183
- Lucas, Robert. 1978. "Unemployment Policy." *American Economic Review*, May pp. 353-357. [Available online](#).
- Modigliani, Franco. 1977. "The Monetarist Controversy, or Should We Foresake Stabilization Policies?" *American Economic Review*, Volume 67 (March), pp. 1-8, 12, 14, 15, 17, 18. [Available online](#).
- Keynes, John Maynard. 1936. *The General Theory of Employment Interest and Money*. London: Macmillan, pp. 377-84. "Concluding Notes on the Social Philosophy Towards Which the General Theory Might Lead."

### B. Measurement





- i. Measuring GDP
- ii. GDP and living standards

#### Readings

- GSSM Ch7
- U.S. Bureau of Economic Analysis. "Measuring the Economy: A Primer on GDP and the National Income and Product Accounts," September 2007. [Available online.](#)

#### **C. Inflation**

- i. Causes
- ii. Consequences

#### Readings

- GSSM Ch8, pp. 183-186
- GSSM Ch12, pp. 264-283
- Bagehot, Walter. "Why Lombard Street is Often Very Dull, and Sometimes Extremely Excited," in *Lombard Street*. London: Kegan Paul and Co., April 1873, pp. 118-123, 150-52. [Available online.](#)

You might wish to watch: *Waterworld*, the mariner has in his possession a bag of dirt, something we'd take for granted today, but not in *Waterworld*. The dirt is more valuable than pure fresh water. Once the dirt is assessed for purity and weighed it is exchanged for 124 chits.

You might wish to watch: *The Major and the Minor*.

#### **D. SPECIAL TOPIC (POSSIBLE): Social Security**

#### Readings

- Jackson, Howell E. 2004. "Accounting for Social Security and Its Reform," *Harvard Journal on Legislation*, Vol. 41, pp. 59-159. [Available online.](#)
- Furman, Jason. 2007. "Options for Closing the Long-Run Fiscal Gap," Testimony Before the U.S. Senate Committee on Budget. January 31, 2007. [Available online.](#)

