Sarah Lawrence College Introduction to Economic Theory and Policy Seminar, Fall 2015 & Spring 2016 Tuesdays, Thursdays, 9:30 – 10:55 AM; Tweed Living Room

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Course Description

Economics explores the ways in which people organize themselves to sustain and enhance their quality of life and well-being. Societies throughout history and across the globe have developed numerous ways of coordinating economic activity through a variety of institutional arrangements. This introductory course will introduce basic economic concepts and contemporary issues from a variety of schools of thought including insights from neoclassical, Keynesian, Marxist, institutionalist, and behavioral economists. We will use the tools developed in the course to explore some of the central questions of economics. Why is capitalism the dominant economic system throughout the world? Why are some countries poor while others are rich? How do institutions shape economic outcomes? How do people and firms make choices about what to buy and produce? How does the level of competition between firms in a market impact their decisions? What are some of the causes and economic consequences of unemployment and inflation? How do we measure economic activity in a society to include market and household production as well as considerations for environmental degradation? To what extent can policymakers impact key economic indicators? We will also look at the causes of the 2008 global financial crisis and subsequent weak recovery, the recent European economic crisis, the fiscal position of the United States government, and other issues that economists and policy makers are debating now.

Course Objectives

By the end of this class, you should be able to:

- Have a better understanding of how economic issues impact you and the rest of society
- See how capitalism became the dominant global economic system and what characteristics of its institutions led it to do so
- Critically engage with people and authors on basic economic topics.
- Evaluate the positions of candidates for political office more thoughtfully.
- Examine basic graphs and understand how to use basic economic data and theory to explore research questions
- Understand the different schools of thought within economics including the issues they find most important and the policy prescriptions these lead to.

Required Texts

Goodwin, Neva et al. Principles of Economics in Context, M.E. Sharpe. Armonk, New York: 2014. ISBN: 978-0-765638-82-3.

Chang, Ha-Joon. *Economics: The User's Guide*, Bloomsbury Press, New York: 2014. ISBN: 978-1-62040-812-4.

Sandelin, Bo et al., A Short History of Economic Thought, Third Edition, Routledge, New York: 2014. ISBN: 978-1-138-78020-0

Cato, Molly Scott, *Environment & Economy*, Routledge, New York: 2011. ISBN: 978-0-415-47740-3. (Note: only needed in the spring)

Galbraith, John Kenneth, *The Great Crash 1929*, Mariner Books, Boston: 2009 (1954). ISBN: 978-0-547-24816-5.

All other readings will be made available on MySLC.

Recommended Text

Skidelsky, Robert. *Keynes: The Return of the Master*, Public Affairs, New York: 2009. ISBN: 978-1586488970 Note: This book is accessible through the library website as an e-book, but we will be reading a significant portion of it. Therefore, you may wish to purchase a hard-copy.

Assignments

Readings: Please read all assignments before class and come prepared to discuss the material. The quality of our discussions will depend on you.

Paper: You will be required to write two short essays each semester that relate to topics we will be discussing in class. These will include essays on an economic school of thought, the 2008 financial crisis, the 2016 presidential election, and a topic of your choice.

Practice Problems: Roughly every other week, practice problems will be posted to MySLC on the topics that we will be discussing over the next 2 weeks. I will label which problems should be prepared for which class. The problems will either be short discussion questions, reflections on the readings, or mathematical questions, depending on the topics being discussed in class. You may work together and discuss the problems outside of class, but everyone needs to have their own write-up of the problems. In each class, we will devote some time to discussion of the problems for the day, and I will randomly call on students to give their response or solution. I will also occasionally collect the problems, which we will then discuss individually during our next conference. Because of this, it is vital that you complete the problems for every class. They will allow me to understand if you are having trouble with the material, and they will form an important part of your evaluation.

In-class work: We will frequently practice the skills you are learning in class, both individually and in small groups.

Conference Paper: You will be required to write a research paper for your conference work, ideally connecting it to an issue that you are personally passionate about. Further guidelines can be found below.

Conference Paper Presentations and Peer Review: At the end of the year, each student will present their conference work. Additionally, you will provide a draft to a partner in the class who will provide you with feedback and serve as a discussant after your presentation.

Class Policies

Evaluations: When writing your evaluations at the end of the course, I will take a number of factors into account. Roughly one-third of your grade and evaluation will come from class participation, attendance and completion of all assignments on time. Another third will come from your conference project, presentation, and peer review. The final third will come from the essays and practice problems I collect. I understand that students have different strengths, and I will take this into consideration in the evaluations. I expect you to show me, in some way, that you are getting something out of the course and that you are able to discuss most of the topics listed under "Course Objectives" on the previous page.

Attendance: In order to get the most out of the course, it is imperative for you to attend every class. If a conflict does arise for some reason, be sure to contact me and let me know why you will be unable to attend. You should also email me any assignments that are due so that I can continue to provide you with feedback. Missed conferences will not be rescheduled. If you miss more than 3 classes or 1 conference meeting, you will lose credit for the class. As suggested by guidelines in the student handbook, when you have missed 2 classes or 1 conference, I will contact both you and your don to inform both of you of the situation and to make sure you understand the policy. Illnesses that force you to miss class beyond this level should be accompanied by a doctor's note. You may also miss for accepted religious holidays or family emergencies, provided you communicate with me about them as much as possible. If you arrive in class after I have finished taking attendance, you will be marked down as late. Too many late arrivals will be detrimental for your grade.

Laptops & Electronic Gadgets: You may use laptops and tablets in the class to take notes and refer to the readings. Please note that if I see that you are using them for another purpose (browsing Facebook, for example), I will ask you to put away your device. In the small seminar setting, I expect you to be engaged with the discussion around you. Additionally, you are not allowed to use smartphones at all during class.

Academic freedom: In this course, we will be discussing a number of politically charged issues, and it is inevitable that there will be a range of opinions, including my own. You will never be penalized in any way for disagreeing with me or challenging my views. Part of the learning process for all of us is having our existing beliefs and assumptions challenged over the course of the year. Being able to do this in a respectful and constructive way can allow us to grow intellectually.

Disability support: If you have a physical, learning, or other disability that requires accommodation, you can let me know in the way that is most comfortable for you. I will do my best to work with you and the college to make any necessary accommodations.

Course Schedule Fall Semester

	Part I: Introduction and History of Economic Thought	
Sept. 8 & 10	Introduction: Why Economics Shouldn't be Boring	
3ept. 8 & 10	• Chang, Prologue & Chapter 1	
	PEC, Chapters 0 & 1 (Sections 1-3) According Cond (1000) Report to the Foundation Chapter 1.	
	Amartya Sen (1999) Development as Freedom, Chapter 1	
Sept. 15 & 17	The Rise of Capitalism and Markets	
	Chang, Chapters 2 & 3	
	• Eric Jones (2003) <i>The European Miracle</i> , Chapter 5.	
	• Adam Smith (1776) <i>The Wealth of Nations</i> Chapters <u>1</u> , <u>2</u> , and <u>3</u>	
	Recommended: PEC, Ch. 3	
Sept. 22 & 24	Introduction to Economic Schools of Thought & Methodology	
	Chang, Chapter 4	
	John Kenneth Galbraith (1998) The Affluent Society, Chapter 2	
	Marion Fourcade, Etienne Ollion, & Yann Algan (2015) "The Superiority of	
	Economists," Journal of Economic Perspectives. 29:1, p. 89-114. (read pages	
	89-100)	
	PEC, Chapter 2 (Sections 1 & 2)	
Sept. 29	Economic Schools of Thought: Classical	
•	Sandelin, Chapters 2 & 3 (Except section on Marx)	
Oct. 1	Economic Schools of Thought: Neoclassical	
	Charles Wheelan (2002) Naked Economics, Chapter 1	
	Sandelin, Chapter 4 (p. 40-52)	
Oct. 6 & 8	Economic Schools of Thought: Marxian	
Oct. 0 & 0	Sandelin, Chapter 2 (Section on Marx)	
Oct. 13	Robert Heilbroner 1999 (1953) The Worldly Philosophers, Chapter 6 Madara Franchical Individuals 8, Organizations	
Oct. 13	Modern Economics: Individuals & Organizations	
	• Chang, Chapter 5	
	PEC, Chapter 8 PEC, Chapter 8	
	Henrich et al. (2001), "In Search of Homo Economicus: Behavioral	
	Experiments in 15 Small-Scale Societies," American Economic Review.	
Oct. 15	Tradeoffs and Supply and Demand	
	Khan Academies, <u>Production Possibilities Frontier</u>	
	PEC, Chapter 1 (Section 4) & Chapter 4	
	Sandelin, Chapter 4 (section on Marshall)	
	Robert Prasch (2008) How Markets Work, Lecture 2	
Oct. 20	Fall Study Day	
Oct. 22	Supply and Demand Continued	
	Paper #1 Due	
Part II: Macroe	conomics	
Oct. 27	Introduction to Macroeconomics	
	PEC Chapter 19	
	Skidelsky, Chapter 2	
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Oct. 29	Measuring Economic Growth
	Chang, Chapter 6
	PEC, Chapters 20, 21
	Bureau of Economic Analysis, " <u>US Economy at a Glance</u> "
	Nancy Folbre & Julie Nelson (2000) "For Love or Money – or Both?" The
	Journal of Economic Perspectives, 14:4, p. 123-140.
Nov. 3	Measurement Continued
Nov. 5	Economic Growth & Development
	Chang, Chapter 7
	PEC Chapter 22 & 32 (Sections 1-3)
	Ha-Joon Chang (2007) "Lazy Japanese and Thieving Germans – Are some
	Cultures Incapable of Economic Development?" in Bad Samaritans: Rich
	Nations, Poor Policies, and the Threat to the Developing World, Random
	House.
Nov. 10	Growth & Development Continued
Nov. 12	Unemployment
	PEC, Chapter 23
	Chang, Chapter 10
Nov. 17 & 19	Aggregate Demand
	PEC Chapter 24
	Brad DeLong (2010) Six Lectures on Depression Economics Lecture 3 (p. 22-
	32)
	Skidelsky, Chapter 4
Nov. 21	Fiscal Policy
	PEC Chapter 25
	Thanksgiving break – Begin reading <i>The Great Crash</i>
Dec. 1 & 3	Money & Banking
	PEC Chapter 26
	Chang, Chapter 8
	• This American Life No. 423: The Invention of Money (Audio) January 7, 2011
	(Prologue & Part I)
Dec. 8	Monetary Policy
	PEC Chapters 27
	• This American Life No. 423: The Invention of Money (Audio) January 7, 2011
	(Part II)
Dec. 10	The 2008 Financial Crisis
	Chang, Chapter 8
	Skidelsky, Chapter 1
	PEC Chapter 30
	James Crotty (2009) "Structural Causes of the Global Financial Crisis: A
	Critical Assessment of the 'New Financial Architecture," Cambridge Journal
	of Economics 33: 563-580
	• This American Life No. 355: The Giant Pool of Money (Audio) May 9, 2008.
Dec. 15	The 2008 Financial Crisis Continued & Discussion of The Great Crash
Dec. 17	Review & Reflections
	Paper #2 Due
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Spring Semester (Tentative schedule)

	er (Tentative schedule)
Jan. 19 & 21	Aggregate Demand & Supply
	PEC Chapter 28
	Skidelsky Chapter 5
Jan. 26	The "crisis" of US fiscal policy
	PEC Chapter 31
	Center on Budget and Policy Priorities, "Policy Basics: Where do our Federal
	Tax Dollars Go?" March 11, 2015
	Center on Budget and Policy Priorities, "Policy Basics: Deficits, Debt, and
	Interest," March 31, 2015
Jan. 28	The Future of the Euro
	Readings TBD
Feb. 2 & 4	Trade & Globalization
	Chang, Chapter 12
	 Joseph Stiglitz (2006) Making Globalization Work, Chapter 3.
	"Comparative Advantage and the Tragedy of Tasmania," MRUniversity, June
	24, 2014
	Nalia Kabeer, "Globalization, labor standards, and women's rights: dilemmas
	of collective (in)action in an interdependent world," Feminist Economics
	10(1), March 2004, 3-35.
Feb. 9 & 11	Understanding Inequality
	Chang, Chapter 9
	Thomas Piketty Capital in the Twenty First Century (2014), Introduction (p. 1-
	16; 20-33).
	PEC Chapter 11
	Richard Wilkinson "How Economic Inequality Harms Societies," TED Talks:
	July 2011
	 N. Gregory Mankiw (2013) "Defending the One Percent," Journal of
	Economic Perspectives, 27:3 (21-34).
Feb. 16	Macroeconomics and climate change
	Frank Ackerman (2008) Can We Afford the Future? The Economics of a
	Warming World, Chapters 2 & 3
	World Bank, "Turn Down the Heat," Executive Summary, November 2012
	PEC Chapter 33
Part III: Microe	conomics
Feb. 18	Introduction to Neoclassical Microeconomics: Elasticity
	PEC Chapter 5
Feb. 23	Neoclassical Welfare Analysis
	PEC Chapter 6
	Chang, Chapter 11
	David Crouch (2015) "Pitfalls of rent restraints: Why Stockholm's model has
	failed many," The Guardian, August 19.
Feb. 25	Consumer Theory & Choice
160. 23	PEC Chapter 9 (Sections 1, 3, and Appendix)
	FEC Chapter 9 (Sections 1, 5, and Appendix)

	Galbraith, The Affluent Society, Chapter 11
	Virginia Postrel (2008) "Inconspicuous Consumption," The Atlantic,
	July/August.
	Dan Ariely (2008) Predictably Irrational (excerpt)
Mar. 1	Consumer Theory Continued
Mar. 3	Labor Markets
	• Thomas Piketty, <i>Capital in the 21st Century</i> , Chapter 9 (excerpts)
	PEC Chapter 10
	James Dorn, "The Minimum Wage Delusion, and the Death of Common
	Sense," Forbes, May 7, 2013.
	• The Economist, "The Argument in the Floor," November 12, 2012.
	Marilyn Power (1999) "Parasitic-Industries Analysis and Arguments for a
	Living Wage for Women in the Early Twentieth-Century United States,"
	Feminist Economics 5:1, (61-78).
Mar. 8	Labor Markets Continued
Mar. 10	Taxes & Tax Policy
	PEC Chapter 12
	 Kleven, Henrick Jacobson (2014) "How Can Scandinavians Tax So Much?"
	Journal of Economic Perspectives, 28:4, (77-98).
	Paper #3 Due
Mar. 29	Production Costs
	PEC Chapter 16
Mar. 31	Markets without Power
	PEC Chapter 17 (including appendix)
Apr. 5	Markets with Power
1,5	PEC Chapter 18 (including appendix)
Apr. 7	Introduction to Game Theory & Institutional Change
7.57	Jack Knight, <i>Institutions and Social Conflict</i> (1992), Chapters 1 & 3
	 Martin Dufwenberg (2010) "Game Theory," WIREs Cognitive Science.
	 Yanis Varoufakis (2008) "Capitalism According to Evolutionary Game Theory:
	The Impossibility of a Sufficiently Evolutionary Model of Historical Change,"
	Science & Society
Apr. 12	Game Theory & Institutional Change Continued
Apr. 14	Economics & the Environment
Apr. 14	Molly Scott Cato (2011) Environment & Economy, Chapters 3-7
	 Federal Reserve Bank of St. Louis, "Externalities", The Economic Lowdown
	Video Series.
Apr 10 9 21	PEC, Chapters 13 & 14 Economics & the Environment Continued
Apr. 19 & 21	Economics & the environment continued
Apr 26 9 39	Paca & Economics in the United States
Apr. 26 & 28	Race & Economics in the United States

	 Rakesh Kochhar & Richard Fry, "Wealth inequality has widened along racial, ethnic lines since end of Great Recession," Facttank, Pew Research Center, December 12, 2014. Shapiro, The Hidden Cost of Being African American, Ch. 2 "Historian Says Don't 'Sanitize' How Our Government Created Ghettos,"
	(Audio) <i>Fresh Air</i> (Guest: Richard Rothstein), National Public Radio, May 14, 2015. Paper #4 Due (Apr. 26)
May 3 & 5	Conference Work Presentations
May 10 & 12	Conference papers due May 3.

Conference Work Schedule

There will be six conferences each semester. At least 24 hours before each appointment, I ask that you submit a **progress report** and **your assignment** to me electronically, at nreksten@sarahlawrence.edu. I prefer assignments in Word document form or as a PDF, but Google Docs will work as well (please no Pages files as I cannot open them). Late submissions will impact your grade and assessment. If you are unable to attend the conference, please let me know in advance, send me the assignment and progress report on time, and we will discuss it over the telephone or through email. If you come to a conference without having done the assignment, or at least without having made a strong attempt, you will be asked to leave and use the conference time to work on your project. However, if you are having trouble making progress in spite of having spent some time on the project, we can discuss where the roadblock is and strategies for getting around it.

Your final product should be a paper of about 8,000 words, though different topics will lead to more or less dense writing. As we move through the writing process, I will be able to suggest a more precise length for you to aim for.

Your goal for the year will be to produce a piece of basic economic research. This will be completed in two broad parts. During the fall semester, you will research existing work on a topic and think of a new question that you could answer either through a basic examination of data or building on some economic theory. During the spring semester, you will continue to refine your research question and methods and attempt to answer your question.

In the age of cloud services, there is no excuse to not back up your work. Make sure that you keep it saved in multiple places so that you do not have to start over in the event of a single computer crashing.

Your progress report should detail the work you've done since our last meeting and the questions that emerge from that work. These could be questions related to the substance of the work or more technical issues (like formatting or citations). Your progress report will give us an agenda for our meeting and help guide our conversation. Even if you do not produce much in the way of new written work, you should have a progress report to talk about what you have done instead.

Below, I have outlined suggested steps to take for each conference period. Note that these are more detailed earlier. This is because everyone is starting from the same place, but the pace and progress of your work will inevitably diverge over the course of the year. Therefore, your individual schedule will

most likely begin to look different from what is found here, but reading through this will give you a good idea of what is expected.

Conference 1 (Weeks of Sept. 14 & 21)

Write a paragraph-long summary of some proposed topics. Your goal should be to establish a starting point for your research. If you are deciding among several topics, write a paragraph for each. When choosing your topic, please bear in mind your time constraints and your background (or lack thereof) in economics and data/statistics. Your topic may very well change in the future. At this point, you want to be brainstorming and jotting down ideas for further investigation. We can also discuss good sources for you to investigate as a next step.

If your topic involves the interpretation of data, visit a research librarian *soon* to determine whether the SLC library has (or can get access to) the data you need. If not, you may have to change your topic.

Begin keeping track of the sources you use in some way. I use Microsoft Word's reference organizer for my own work, but there are many other options out there, like <u>Zotero</u>, which is free.

Conference 2 (Weeks of Sept. 28 & Oct. 5)

You should make some progress researching your proposed topic(s) and narrowing down possibilities to no more than two or three. Submit an annotated bibliography containing summaries and commentaries on a minimum of five sources (articles, books, reliable internet sources) that are highly relevant to your topic, along with a list of all of the sources you have consulted so far. Ideally, your sources should be peer-reviewed journals, books from respected publishers, or government/reliable NGO data sources. When in doubt as to the quality of your resource, speak to me or a research librarian.

Conference 3 (Weeks of Oct. 12 & 26)

Write a short discussion of some controversies/unanswered questions that you see in the literature you are researching. You should begin making broad connections between sources to identify broad trends that you will be able to discuss in your paper. These will also lead the way to a good research question. At this point, you should have settled on a single topic for your paper.

Note that there are no conferences the week of fall study days.

Conference 4 (Weeks of Nov. 2 & 9)

Write a proposed abstract & outline of your paper, including your research question and your proposed methods for investigating that question.

Conference 5 (Weeks of Nov. 16 & 30)

Begin work on your introduction & literature review sections of the paper. Submit a draft of a few pages so that I can provide feedback on things like your tone, style, and citation practices.

Note that there are no conferences the week of Thanksgiving.

Conference 6 (Weeks of Dec. 7 & 14)

Submit a full literature review and introduction, along with a revised outline of your research methods section.

Conference 7 (Weeks of Jan. 25 & Feb. 1)

Finalize your methods section & submit it. Begin working with your theory/model/data.

Conference 8 (Weeks of Feb. 8 & 15)

We will have a detailed discussion of your initial results. I can suggest additional data or theoretical approaches you may wish to consider.

Conference 9 (Weeks of Feb. 22 & 29)

Submit an outline of the major results you wish to highlight and the conclusions you plan to draw from those.

Conference 10 (Weeks of March 7 & 28)

Submit a rough draft of your results section; revise other parts of the paper if necessary.

Conference 11 (Weeks of April 4 & 11)

Submit write-up of results section.

Conference 12 (Weeks of April 18 & 25)

Submit full draft of conference paper for review.

Conference 13 (Weeks of May 2 & May 9)

Debrief on research paper experience and future work in economics.