

Econ 474: Recent Economic Thought

Fall 2015

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Class meetings: M/W/F 10-10:50 and 2-2:50
Office hours: W/Th 3-4:30, or by appointment

Course description

Adam Smith famously noted how the "invisible hand" of markets can lead selfish individuals to unwittingly promote the good of society. This view of the economy was formalized in the middle of the 20th century, and it remains the core idea in economics courses. This class will focus on recent developments in economic thought, especially those that suggest that individual utility-maximization does not always lead to the best of all possible worlds. We will address coordination failures, externalities, discrimination, social preferences, problematic contracts, and economies of scale.

For better or for worse, economics has become increasingly mathematized over the last half-century. On the one hand, mathematical models can avoid logical inconsistencies and clarify economic processes. On the other hand, not all good economic ideas are best put in mathematical form and being able to do math is no substitute for being able to communicate economic ideas. This course will spend some time presenting simple economic models, which you will be tested on in the midterm and final exam. However, we will also spend time reading, writing, discussing, and debating economic thought. Our goal will be to learn to put the insights from theoretical models in words.

Course objectives

- To survey developments in economic thought since 1945
- To master mathematical and graphical models of individual interaction
- To develop the ability to write and talk about economic theory

Prerequisites

This course requires Economics 304 (Intermediate Macroeconomics) and Economics 306 (Intermediate Microeconomics)

Readings

The required book for this course is: Kaushik Basu, 2011, *Beyond the Invisible Hand*, Princeton University Press, which is available at the CSU bookstore (\$47 new, \$35 used). All other required readings will be made available on Canvas. This semester you may also find it interesting and useful to follow current economic thought by reading articles and blog posts by influential economists. I personally follow Paul Krugman's semi-weekly op-eds in the *New York Times*, as well as the blogs Marginal Revolution (with Tyler Cowen and Alex Tabarrok), Econospeak (with Peter Dorman et al), the Center for Economic Policy Research (with Dean Baker), and Care Talk (with Nancy Folbre).

Course structure

Each week, I will assign you about 3 hours of reading for you to do on your own. You must complete each day's reading before attending class. Students who must write an online essay on a given week will find it useful to complete all the week's readings by Monday evening.

There will be three class meetings each week, which will consist of my presentation of course material, discussion, and in-class work. Your in-class participation grade depends on your attendance as well as participation. Over the course of the semester you are permitted 2 absences, no questions asked, but *only* if you email me before class time. Any other absences will hurt your grade unless you can document a university-recognized excuse. In class I will routinely call on students by name to answer questions regarding course material. If you do not know how to answer a question you may always "pass". My purpose is not to embarrass students, but rather to ensure that all students are involved in classroom discussions.

This class will have weekly discussion forums on Canvas. I will divide the class into two groups A and B. Each week students in one group will be responsible for writing a roughly 500-word essay related to the week's reading by midnight on Monday, while the other group will be responsible for responding to two of their peers' essays by midnight on Wednesday. I will grade your essays and responses as Outstanding (100), Satisfactory (90), or Unsatisfactory (50).

The remainder (and bulk) of your grade will be based on a mid-term exam and a (cumulative) final exam, which will consist mainly of definitions, multiple-choice, and short answer questions. You will be responsible for all of the material presented in the readings as well as in class. Prior to each exam, I will provide you with sample questions and we will have a 50-minute, in-class review session. Makeup exams will not be given without a university-recognized excuse that you communicate to me in advance.

Grading

Your final grade will be calculated as a weighted average of your grades in each of the following categories:

- 10% in-class participation
- 20% online essays and responses
- 30% midterm exam
- 40% final exam

The grading scale used in this course is:

- A = 90-100
- B = 80-89
- C = 70-79
- D = 60-69
- F = 59 and below

Students in the lower- and upper-range of any grade will receive a – or +, respectively. The instructor reserves the right to lower the cutoff necessary for any letter grade.

Contact hours and workload

Attend lecture	~3.0 hours/week
Readings	~3.0 hours/week
Discussion forums	~2.0 hours/week
Study for exams	~1.0 hours/week
Total	~9.0 hours/week

Advice

Much of the material covered in this course will be new and challenging to students. To do well on the exams, you will need to stay on top of the concepts covered in the readings and in class. I encourage you to:

- Devote sufficient time (about 3 hours a week) to reading the assigned pages and mastering the concepts covered.
- Study the models presented in this class with another student or in a small group. Both strong and weak students can benefit enormously from teaching and learning with one another.
- Use class time to ask me questions about the material. If something is confusing to you, it is probably confusing to others as well, and you are providing a public good by asking for clarification.
- Visit my office hours for additional assistance. If you cannot attend my regular hours, send me an email for an alternative appointment.

The purpose of writing the bi-weekly essays is for you to engage with the course readings and put your views of recent economic thought into words. When it is your turn to write an essay:

- Complete the Wednesday and Friday readings before writing your essay. This will give you more ideas to work with in your essay, and it will reduce your workload for the rest of the week.
- In the beginning of your essay, make a clear thesis or argument. The rest of your essay should be devoted to defending your argument. You may write an essay on any topic related to the week's content. If you choose to use one of my discussion prompts, make sure that you still compose your essay as if you had come up with the topic yourself (i.e. do not include sentences beginning with "Yes" or "No".)
- Cite required readings as well as any outside reading (such as books, articles, blogs) that you find insightful.
- Be bold! Sometimes a more extreme argument is more informative than a careful argument. It is fine to take strong stances on issues at the beginning of the week or semester, even if your beliefs might change over time.

In writing responses to other essays:

- Be polite and respectful of your classmates. Remember that we are discussing ideas, not people.
- Make substantive comments. Regardless of whether you agree or disagree with the original essay, refer to new anecdotes, data, or theory that bear on the topic at hand.

Accommodation for students with disabilities

If you require special accommodation to complete the requirements of this course, please provide documentation and verification from the office of Resources for Disabled Students (see <http://rds.colostate.edu/>). The student is responsible for obtaining the appropriate verification and paper work.

Academic integrity

This course will adhere to the Academic Integrity Policy of the General Catalog and the Student Conduct Code. As per university policy, "Any student found responsible for having engaged in academic

dishonesty will be subject to academic penalty and/or University disciplinary action." (General Catalog 2011-2012, 1.6, p.8). Any academic dishonesty in this course may result in a grade of "F" for the course and may be reported to the Office of Conflict Resolution and Student Conduct Services.

Please be aware that the General Catalog specifically identifies the following examples of academic dishonesty: cheating in the classroom, plagiarism, unauthorized possession or disposition of academic materials, falsification, and facilitation of cases of academic dishonesty.

Plagiarism is defined as follows: "Plagiarism includes the copying of language, structure, ideas, or thoughts of another, and representing them as one's own without proper acknowledgment. Examples include a submission of purchased research papers as one's own work; paraphrasing and/or quoting material without properly documenting the source." (General Catalog 2011-2012, 1.6, p. 8).

Copyright

Please do not share material from this course in online, print or other media. Materials authored by third parties and used in the course are subject to copyright protections. Posting course materials on external sites (commercial or not) violates both copyright law & the CSU Student Conduct Code. Students who share course content without the instructor's express permission, including with online sites that post materials to sell to other students, could face disciplinary or legal action.

Course schedule

For the sake of discussion forums, I am in group ____.

Date	Forum	Topics	Required Readings
Week 1			
Monday, August 24, 2015	All	Introduction to each other and to the course	
Wednesday, August 26, 2015		Smith, in his words and in a game	Smith Book I, Chapter II and Book IV Chapter II (especially pp. 477-478).
Friday, August 28, 2015		In praise of dissent	Basu Chapter 1 "In Praise of Dissent" (pp. 1-15)
Week 2			
Monday, August 31, 2015	A	Pareto efficiency	Basu Chapter 2 "The Theory of the Invisible Hand" (pp. 16-23);
Wednesday, September 02, 2015	B	Edgeworth's box	Frank Chapter 18W "General Equilibrium and Market Efficiency" (especially pp. 1-9)
Friday, September 04, 2015		Utopian pricing	Samuelson Chapter 32: "Epilogue to Microeconomic Pricing" (especially pp. 634-640)
Week 3			
Monday, September 07, 2015		No class: Labor Day!	
Wednesday, September 09, 2015	B (Tu)	Dual interpretation, evolving feasible sets, preferences, and norms and culture	Basu Chapter 3 "Limits of Orthodoxy" (pp. 24-41)
Friday, September 11, 2015	A (Th)	Incentive compatibility, methodological individualism, and knowledge	Basu Chapter 3 "Limits of Orthodoxy" (pp. 41-54)

Week 4		Law and Economics	
Monday, September 14, 2015	A	The standard view of law	Basu Chapter 4 "The Economy According to Law" (pp. 55-59)
Wednesday, September 16, 2015	B	The law as focal point	Basu Chapter 4 "The Economy According to Law" (pp. 60-70)
Friday, September 18, 2015		Implications of the law as a focal point	Basu Chapter 4 "The Economy According to Law" (pp. 71-76)
Week 5		Coordination Problems I	
Monday, September 21, 2015	B	Evolutionary game theory and the assurance game	Bowles, Chapter 1 "Social Interactions and Institutional Design" (especially pp. 40-55)
Wednesday, September 23, 2015	A	Hawk-Dove game	Frank, Chapter 7 "Explaining Tastes" (especially pp. 216-219)
Friday, September 25, 2015		Positional externalities	Frank "Positional Externalities" (pp. 552-555)
Week 6		Coordination Problems II	
Monday, September 28, 2015	A	Pigovian taxes	Mankiw "The Pigou Club Manifesto", Boyce "The Carbon Dividend"
Wednesday, September 30, 2015	B	Calculating carbon dividend	Cap-and-dividend
Friday, October 02, 2015		Political economy of climate change	Chris Hayes "The New Abolitionism"
Week 7		Discrimination I	
Monday, October 05, 2015	B	Friedman and economic inequality by race and gender	Friedman Chapter 7 "Capitalism and Discrimination" (pp. 108-118)
Wednesday, October 07, 2015	A	Self-reinforcing discrimination	Basu Chapter 5 "Markets and Discrimination" (pp. 77-96)
Friday, October 09, 2015		Community effects	Basu Chapter 5 "Markets and Discrimination" (pp. 77-96)
Week 8		Discrimination II	
Monday, October 12, 2015		Segregation	Bowles, Segregation Model (pp. 66-69)
Wednesday, October 14, 2015		Review for midterm	Sample questions
Friday, October 16, 2015		Midterm exam	
Week 9		Behavioral Economics I	
Monday, October 19, 2015	A	Altruism, trust, and development	Basu Chapter 6 "The Chemistry of Groups" (pp. 97-110)
Wednesday, October 21, 2015	B	In-group altruism	Basu Chapter 6 "The Chemistry of Groups" (pp. 110-119)
Friday, October 23, 2015		The malignancy of identity	Basu Chapter 6 "The Chemistry of Groups" (pp. 120-129)
Week 10		Behavioral Economics II	
Monday, October 26, 2015	B	Irrationality	Thaler "Unless You Are Spock, Irrelevant Things Matter in Economic Behavior"
Wednesday, October 28, 2015	A	Social preferences	Bowles and Gintis "Social Preferences, Homo Economicus, and Zoon Politikon" (especially pp. 172-176)
Friday, October 30, 2015		Behavioral economics and consumption	Schor "A New Politics of Consumption" (especially Schor's initial essay)

Week 11		Problematic Contracts	
Monday, November 02, 2015	A	The principle of free contract	Basu, Chapter 7 "Contract, Coercion, and Intervention" (pp. 130-141)
Wednesday, November 04, 2015	B	Harmful contracts	Basu, Chapter 7 "Contract, Coercion, and Intervention" (pp. 141-156)
Friday, November 06, 2015		Incomplete contracts	Bowles, Credit Model (especially pp. 306-309)
Week 12		Economic Inequality	
Monday, November 09, 2015	B	U.S. income distribution	Piketty, Introduction (pp. 1-16)
Wednesday, November 11, 2015	A	Piketty's R>G	Piketty, Introduction (pp. 16-27)
Friday, November 13, 2015		Capital in the 21st Century	Piketty, Introduction (pp. 27-35)
Week 13		Globalization	
Monday, November 16, 2015	A	Global income distribution	Basu, Chapter 8 "Poverty, Inequality, and Globalization" (pp. 157-171)
Wednesday, November 18, 2015	B	Globalization and inequality	Basu, Chapter 8 "Poverty, Inequality, and Globalization" (pp. 171-179)
Friday, November 20, 2015		Globalization and democracy	Basu, Chapter 9 "Globalization and the Retreat of Democracy" (pp. 180-192)
Fall break			
Monday, November 23, 2015			
Wednesday, November 25, 2015			
Friday, November 27, 2015			
Week 14		New Economy	
Monday, November 30, 2015	B	Economies of scale (and music)	Romer, "When Should We Use Intellectual Property Rights?" (pp. 213-216), Johnson, "The Creative Apocalypse That Wasn't"
Wednesday, December 02, 2015	A	New economic institutions (and medicine)	Stiglitz and Jayadev, "Medicine for Tomorrow" (217-225)
Friday, December 04, 2015		Zero marginal cost economy?	Rifkin, "The Rise of Anti-Capitalism"
Week 15		New Economic Thought?	
Monday, December 07, 2015	All	Interpretation and change	Basu, Chapter 10 "What Is to Be Done?" (pp. 193-212)
Wednesday, December 09, 2015		Your ideas	Response essays
Friday, December 11, 2015		Review for final	Sample questions