Economics 200: Economic Life

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"Our society has created a cult of self-esteem in which we make it hard for (people) to fail. But there are great advantages to failing. That is how we learn to correct our weaknesses. And that, in turn, is one of the first steps to success." - Robert Sternberg, professor of psychology, Yale University.

Course Objectives and Evaluation

The goal of this course is to make you economically literate. By the end of the course, you should no longer be scared or mystified to the point of throwing up your hands in despair every time someone is talking about supply, demand, inflation, interest rates, recession, etc. If you encounter discussion of economics in your professional life or in your social life (?), you should be able to understand it and participate in it with grace and style.

You will be graded on the basis of two exams and one research paper. The final exam accounts for one-third of your final score. The higher of two midterms accounts for one-third, and the paper accounts for the final third. There are no makeup exams, for any reason. Since you can drop one midterm, a missed midterm means a third of your grade rides on the other midterm. Conversely, if you are happy with your grade on the first midterm, you can skip the second, although the material covered for the second midterm will also be on the final. Assuming that you were passing the class coming in, a missed final will result in an incomplete, which must be made up by writing another non-trivial paper next quarter. If you were failing the class coming in and you miss the final you simply fail the class.

In addition, I reserve the right to adjust your grade downward for incivility. By "incivility" I mean any selfish, disruptive actions that you take that completely ignore the effects on me or your classmates. Uncivil actions include, but are not limited to, throwing books in your bag and zipping it up before class is dismissed, talking to your neighbor while I or a classmate is talking to the entire class, and leaving early or arriving late without prior notice. Such behavior can lower your course grade by as much as a letter. In addition, there is one incivility that is never tolerated: if you bring a cellular phone or audible pager to class and it goes off, and I hear it going off, your final course grade immediately drops by two letters (every time it happens). There are no exceptions to this rule.

All grading (save incivility adjustments) involves writing. There are no multiple-choice or true-false exams, because I believe this is a lazy way to poorly evaluate students. All exam questions are written, and poor writing will lead to deductions. Note that although students are fond of saying that it is not fair to deduct for poor writing because "this is not an English class," life is not an English class either and yet in life poor writing will force the reader to downgrade his
opinion of the writer. We have a responsibility to the taxpayers of Ohio not to pass people who write poorly.

Grades are handed out in the usual way (A = 90+, B = 80-89, C = 70-79, D = 60-69, F = 59-), but I also seek to grade in a manner consistent with the historical meanings of these terms. I define the grades as follows:

- An A is given for work that demonstrates a superior understanding of economic principles and a superior ability to construct written arguments.
- A B is given for work that demonstrates an understanding of economic principles and an ability to construct written arguments that is above the minimum standards of competence.
- A C is given for work that demonstrates an understanding of economic principles and an ability to construct written arguments that is competent.
- A D is given for work that demonstrates an understanding of economic principles and an ability to construct written arguments that is inadequate, but that has some indications of competence.
- An F is given for everything else.

There is, in theory, a lot of material to be covered, so it is incumbent upon you to keep up. By "keep up," I mean doing problems in the text, asking me inside or outside of class any questions you have on them, etc. None of this enters explicitly into the gradebook, but for most of you doing it will be critical to getting a good grade. The approach taken is one that assumes all students are grownups. You may choose how hard to work, and if you choose to seek help I will provide as much help as you wish. If you wish to turn in 10 rough drafts on the paper (see below), I will carefully read all of them. If you wish to discuss the problems in the text outside of class, I will do that as well. I will provide all the assistance I can, so do not feel shy about asking. It is, however, incumbent upon you to do whatever outside work you feel is necessary, to stop me when you do not entirely get the material, etc.

This is a general-education, writing-intensive class, and one of the points of the GE curriculum is to create citizens who can think well enough to function intelligently in civic affairs, business and other arenas. In fact, the university has a specific statement of the goals of the GE program, which I am supposed to provide for you:

- "To sharpen critical thinking, problem solving, and communication skills as a basis for life-long learning;
- To cultivate an awareness of the moral and ethical insight needed for participation in the human community;
- To increase knowledge and understanding of the past, of the world in which we live, and of how both past and present have an impact on the future."
Consequently, the tests and the paper (see below) emphasize using economics to think about actual problems rather than mindless memorization of material for multiple-choice tests. A lot is asked of students, but with any luck after you exit this class and the other GE classes you have a more disciplined intellect than when you started.

**Text:** Paul Heyne, The Economic Way of Thinking. The text is not required, but most students seem to find it helpful.

**Schedule** (Tentative)

**Microeconomics:**

1. Substitutes and demand (Ch. 2)
2. Opportunity cost and supply (Ch. 3)
3. Equilibrium in a market for any good; market vs. command economies (Chs. 4, 13)

   The first midterm is given at approximately this time. The first midterm is given in advance of the drop deadline so that students who performed much worse than they expected have the option of dropping the class. Grades for this midterm, and this midterm only, will be posted outside my office before the drop deadline.

4. Marginal thinking (Ch. 5)
5. Competition, imperfect competition and lack of competition (Chs. 8-10)
6. Efficiency, comparative advantage and trade (Ch. 6)
7. Risk and the entrepreneur (Ch. 11)

   The second midterm is given approximately now.

**Macroeconomics:**

8. The business cycle and government management/mismanagement of it; inflation (Chs. 15-20)
9. Economic growth over the long term; wages, labor markets and the distribution of wealth (Ch. 12)

**Final Exam:** During the regularly scheduled time in finals week, as listed in the course schedule.

**Paper:** The paper counts for 1/3 of your grade. You are to pick any issue of current local or national interest to which economic principles can be applied, and write a paper analyzing the issue at least partly on the basis of economics. The timeline for the paper is as follows:

On the day of the first exam you must turn in a coherent plan of your paper and a preliminary list of references for me to approve. The plan should include a thesis and a rough outline in addition to the reference list. By the time you turn the plan in to me, you should have an idea of an
argument you wish to prove or assess and what additional material you will need to find to do it. If your preliminary outline comes up short in some respects, I will make suggestions on how to improve it, but it is incumbent upon you to come see me so we can work out the details. Indeed, throughout the entire process you are welcome, and indeed encouraged, to come see me to ask for assistance so that you can create an excellent paper.

You may turn in as many rough drafts of the paper as you like. None are required, but if you don’t turn in any you will almost certainly do poorly. When rough drafts come in I will get them back to you by the next class meeting, if not sooner. The paper counts for a third of your grade, and with the opportunity to turn in multiple rough drafts there is no reason not to do well on it.

The final version is due on the last day of lecture.

The research paper is a key requirement not just of this course but of the General Education curriculum in general. From your high-school or junior-high days you may have some recollection of a working definition of "research paper" as "presenting a summary of knowledge about a topic." Working from that definition it is quite natural for rational, self-interested people to write such papers by copying or rephrasing entries from the nearest encyclopedia. That is not the nature of the assignment in this class. Rather, your paper in this class will be an exercise in what the ancient philosophers called inquiry. You will pick a topic that interests you, and having done some research into it, will develop an argument that you wish to make. To get an A on the paper you must demonstrate an ability to form and prove your argument. This requires use of both logic and evidence, and evidence of course is acquired primarily through research.

The idea of proving a proposition through collection of data is the cornerstone of the Western scientific tradition. It undergirds all knowledge, and the fundamentals were traced by the ancient Greeks. Consider the following passage from Aristotle:

"Hence, if the facts about a given area are grasped, our next task will be to set out the demonstrations readily. For if our inquiry leaves out none of the facts that truly hold things, we will be able to find and produce a demonstration of whatever admits of demonstration, and if something does not admit of demonstration, to make this evident also." (Prior Analytics, 46a17-27).

Your argument, in sum, must be buttressed by facts and by reason. They should combine to create a chain of unbreakable links that lead inexorably to whatever proposition it is you are trying to establish. Indeed, it may turn out that, having done the research, you have now come to a conclusion that is different from, even the opposite of, your original belief. The exercise is designed to get you to think, to reason and most importantly, to question.

Since it is an economics class after all, your reasoning must incorporate some economic principle(s) that we will study over the course of the quarter. The beauty of economics is that it
makes assumptions about all human behavior, which means that almost any human phenomenon can be at least partly explained by economics. Thus, you are allowed to pick any topic you like, as long as you apply economics to it.

**Grading:** Your paper will be graded on a combination of argumentative skill (reason) and depth of research (facts). Specifically, there will be the following grade breakdown:

*Diversity of sources:* 10 points. To make your point, you need to know the knowledge that experts have already generated for you. This requires research. The word "diversity" is chosen to encourage you to seek out serious scholarly research. If your only references are newspapers, encyclopedias and textbooks from this and other classes, you will be penalized accordingly. To make a serious argument, find out what serious people have said in your subject area.

*Reasoning:* 60 points. Does the chain of reasoning in conjunction with the evidence support the conclusion? Your paper should be organized with the objective of making the argument you have chosen. You should have an explicit section-by-section (and indeed paragraph-by-paragraph) structure that allows you to achieve this.

*Usage:* 30 points. Here I mean grammatical and spelling errors, as well as clarity. A poorly written paper does not get the point across, even if the arguments are sound, because the reader finds it too troublesome to work through all the mistakes. Here I am looking to encourage good writing in both the stylistic and grammatical senses. The fact that this is not an English class does not relieve you of the responsibility to use the English language properly. A degree from WSU should imply a certain degree of writing competence, and the excuse "but this isn’t an English class" will not fly if you are penalized for poor writing skills in business or elsewhere in life.

In sum, the paper should be such that you can summarize it in one sentence by saying "The purpose of my paper is to demonstrate that..." The introduction should state clearly the point you wish to make, and evidence and economics should then be used, according to some coherent pattern of logic, to make it. Any grammatically competent, thoroughly researched paper that does this will get an A. Finally, note that the point of any paper is that people should want to read it, because it teaches them (in this case, me) something that is interesting or otherwise thought-provoking. Keep that in mind as you proceed.