

ECON 5300.001
Economic Concepts & Processes
Fall, 2009
Kane
tkane@mail.uttyl.edu

Office: BUS 238
Hours: 9:30 – 10:45TR,
12:15-2:45 R,
& by appointment
(903) 566-7430

COURSE OUTLINE

“It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest.” Adam Smith

Introduction:

It seems fashionable today for social pundits to attribute all suggestions that “people are different” to irrational bias, warning that such a belief leads to social disruption. The economic reality, however, is that people are different--indeed, it is our differences that impel us into voluntary cooperation as a means of improving our personal welfare. James Buchanan, winner of the 1986 Nobel Prize in Economics, put it this way:

“If all men were equal in interest and endowment, natural or artificial, there would be no organized economic activity to explain. Each man would be a Crusoe. Economic theory thus explains why men cooperate through trade: they do so *because they are different.*” (italics added)

For more than two hundred years, certain “principles of economics” have been evolving into a powerful analytical model for describing these voluntary cooperative arrangements. The purpose of this course is to develop a working knowledge of supply and demand models both for individual firms and for entire markets and of the macroeconomic implications of economic decisions by individuals and government and the nature of inflation and unemployment. Students will develop proficiency with the models of consumer behavior, production costs, and the supply and demand models they underpin as well as with the theories of macroeconomic activity, problems and stabilization techniques. This proficiency will be demonstrated by the written ability to explain, describe, and compare these economic principles and to apply them to a variety of cases.

Required Readings:

R. Glenn Hubbard & Anthony Patrick O’Brien, *Economics*, (New Jersey: Pearson/Prentice-Hall, 2nd edition, updated 2009) cloth. ISBN 978-0-13-609205-6

Jim Powell, *FDR’s Folly: How Roosevelt and His New Deal Prolonged the Great Depression*, (New York: Three Rivers Press, 2003). ISBN 1-4000-5477-X.

Jeff Benedict, *Little Pink House: One Woman’s Historic Battle Against Eminent Domain*, (New York: Grand Central Publishing, 2009). ISBN 978-0-446-50862-9. Cloth.

The Wall Street Journal. We will discuss an article from the Journal each Tuesday. [You have an opportunity to take advantage of the student subscription rate of \$34.95 for 15 weeks (the cover price for 15 weeks is \$157.80) so you will have immediate access to the articles relevant to our discussions this semester. Your subscription to the printed edition includes access to the electronic edition on the internet. Access to this electronic edition requires your email address. Breaking news stories are posted continuously to the internet edition.]

Optional Readings:

Edward Scahill, *Student Study Guide* to accompany the Hubbard & O'Brien text. Although specific assignments in the study guide will not be made, the examples and exercises in the study guide are helpful in reinforcing the concepts from the text. For that reason **you are encouraged to utilize the study guide.**

TOPICS OF DISCUSSION

| <u>Dates*</u> | <u>Subject (chapter #s are from Hubbard)</u> |
|---------------|--|
| Sept. 1 | Introduction: why economics matters and why economics is called the "Dismal Science." |
| Sept. 8 | Ch. 1 Economics: foundations & models Appendix to Ch. 1, work probs 1A.1,1A2 & 1A5, (also find intercept and slope for the demand curve in prob 1A5.) Ch. 2 Trade-offs, comparative advantage . . . Ch. 3 Demand and supply, work probs 1.7,1.9,2.3,4.3 & 4.7 Ch. 4 Economic Efficiency, Government Price Setting, in Appendix work probs 1.6,2.4, 2.7, 3.5 & 3.8 |

MICROECONOMICS

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|----------|---|
| Sept. 15 | Ch. 6 Elasticity: Responsiveness of D & S Ch. 9 Consumer Choice, and appendix to Ch. 9 |
| Sept. 22 | Ch. 10 Technology, Production & Costs |
| Sept. 29 | Ch. 11 Perfect Competition |
| Oct. 6 | Ch. 14 Monopoly Ch. 12 Monopolistic Competition & Ch. 13 Oligopoly (yours) |
| Oct. 13 | Ch. 16 The Markets For Labor & Other Factors |
| Oct. 20 | Ch. 5 Externalities, Environmental Policy . . . Ch. 18 The Tax System & The "Distribution" Of Income |

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| Oct. 27 | Ch. 8 Comparative Advantage, Gains from Trade |
| Nov. 3 | First exam (30%) _____MACROECONOMICS_____ |
| Nov. 10 | Ch. 19 GDP: Measuring Total Production & Income Ch. 20 Unemployment & Inflation |
| Nov. 17 | Ch. 21 Economic Growth, The Financial System . . . Ch. 22 Long-Run Economic Growth |
| Nov. 24 | Ch. 23 Output & Expenditure In The Short-Run Appendix to Ch. 23 Ch. 24 Aggregate Demand & Aggregate Supply Appendix to Ch. 24 |

NOTE: Thanksgiving break is Nov. 25 – 29 inclusive

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|--------|---|
| Dec. 1 | Ch. 25 Money, Banks & The Federal Reserve Ch. 26 Monetary Policy |
| Dec. 8 | Ch. 27 Fiscal Policy Appendix to Ch. 27 Ch. 30 The International Financial System Appendix to Ch. 30 |

_____Final Exams Begin Dec. 14th_____

Requirements/Responsibilities:

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|----------------|-------------|
| 1st exam | 30 % |
| final exam | 30 % |
| term paper | 20 % |
| project report | <u>20 %</u> |
| | 100% |

*dates are an approximation—not a rule

Term Paper:

A. Title: “Could Another ‘New Deal’ Resuscitate Today’s Economy?”

B. The Task:

Many observers have found disturbing similarities between our current economic situation and the conditions leading up to the Great Depression. Some have even suggested that FDR’s “New Deal” was the engine that drove the recovery in the 1930’s and could easily do so

again today. Your task is to read Jim Powell's book: *FDR's Folly* and answer the following questions:

- a. What was the "New Deal" and what were its objectives?
- b. What were its basic components (policies) and when were they actually implemented?
- c. After five years (or more) of implementation what conclusion did the "experts" of that day draw regarding the efficacy of the "New Deal"?
- d. What conclusions did Jim Powell draw? and
- e. Given the historical evidence available to us today, would you consider another "New Deal" to be a desirable policy for restarting the economy? Explain your reasoning.

C. Form and due date:

Your paper should not exceed 10 pages typed, double space, and should be submitted, (no "professional" binders please), not later than class-time on Tuesday, October 27, 2009.

D. Length requirement:

Not "at least ten pages" but rather "should not exceed ten pages." If you do a serious job on the reading and thinking about this paper your first draft will exceed the ten-page limit by a wide margin. How to shrink it down to meet the requirement? You could simply omit entire pages or paragraphs--like a surgeon who quickly reduced his obese patient's weight by 50 pounds by amputating his right leg at the hip. True, the weight problem has been solved, but the approach seemed to leave the patient "wanting."

The real purpose of the ten-page requirement, of course, is to necessitate a thoughtful revising and editing process whereby you combine sentences, reduce the length of sentences by substituting one word for two or three and in general achieve a carefully reasoned argument which is concisely presented. In short, here we seek the results of a sustained diet and exercise program leading to a 50-pound weight loss with all essential appendages intact.

"If you don't want more than ten pages, how about three or four?" If you do a serious job on the reading and thinking about this paper your first draft will exceed the ten-page limit by a wide margin. It follows that all serious efforts will, after extensive editing, result in nine to ten page papers

Project Report:

A. Title: "The Individual, Private Property and The State: Lessons from *Kelo v City of New London*"

B. The task:

Your task is to: Help the reader clearly understand the issues in this battle between individuals and the state, the economic importance of the supreme court's decision, and the subsequent reaction of the states.

C. Form and due date:

You will remember from English courses that a good paper begins with a paragraph, (meaning that somewhere on page one this paragraph is found), that states the purpose of the

paper, identifies the two, three or four elements or subjects to be discussed and finally states the general conclusion. You decide how best to do that. Your paper **should not exceed** ten pages typed, double space, and should be submitted, (no “professional” binders please), not later than class-time on Tuesday, November 24, 2009.

D. Concluding observation:

It will have occurred to you by now that I have not asked you to read Jeff Benedict and others in order to answer the questions listed above. This is deliberate. My purpose in making this assignment is to stimulate your thought. I want to know what you are able to conclude from studying Jeff Benedict’s account--not what others have concluded. The comments regarding “Length Requirement” for the “New Deal” paper are applicable to this paper too.

Hedging your “long position” in this class:

You may earn up to 10 additional points to be added to the exam grade you designate. Here is how this “hedge” works. 1. You select and read one of the four books listed below. 2. Prepare and submit an 8 page paper, (typed, double space), which addresses the question(s) listed for that particular book.

W. Cleon Skousen, *The 5000 Year Leap* (National Center for Constitutional Studies, www.nccs.net 1981). Paperback. ISBN 978-0-88080-148-5. The question: The author says the genius of our Constitution cannot be appreciated without understanding the principles accepted by the founders who crafted it. Consequently, all federal policies and legislation should carefully adhere to and reflect these principles. If they don’t, why does it matter?

Mark R. Levin, *Liberty and Tyranny*, (New York: Threshold Editions, 2009). ISBN 13: 978-1-4165-6285-6. The question: The author describes two conflicting views of the role of the state. What are they and why is it important for citizens of a free society to understand these views?

Judge Andrew P. Napolitano, *Dred Scott’s Revenge: A Legal History of Race and Freedom in America*, (Nashville: Thomas Nelson publishers, 2009). ISBN 978-1-59555-265-5. The question: Today, we accept the premise that only government can protect the rights and freedoms of blacks in America. Does the historical evidence support this premise?

Social Security Statement:

It is the policy of the University of Texas at Tyler to protect the confidential nature of social security numbers. The University has changed its computer programming so that all students have an identification number.

Note regarding Student Absence due to Religious Observance:

Students who anticipate being absent from class due to a religious observance are requested to inform the instructor by the second class meeting of such absences.

Disability Support Services:**DISABILITY STATEMENT
(effective Fall 2008)**

"If you have a disability, including a learning disability, for which you request disability support services/accommodation(s), please contact Ida MacDonald in the Disability Support Services office so that the appropriate arrangements may be made. In accordance with federal law, a student requesting disability support services/accommodation(s) must provide appropriate documentation of his/her disability to the Disability Support Services counselor. In order to assure approved services the first week of class, diagnostic, prognostic, and prescriptive information should be received 30 days prior to the beginning of the semester services are requested. For more information, call or visit the Student Services Center located in the University Center, Room 282. The telephone number is 566-7079 (TDD 565-5579)." Additional information may also be obtained at the following UT Tyler Web address:
<http://www.uttyler.edu/disabilityservices>.

Grade Replacement:

If you are repeating this course for a grade replacement, you must file an intent to receive grade forgiveness with the registrar by the 12th day of class. Failure to file an intent to use grade forgiveness will result in both the original and repeated grade being used to calculate your overall grade point average. A student will receive grade forgiveness (grade replacement) for only three (undergraduate student) or two (graduate student) course repeats during his/her career at UT Tyler. (2006-08 Catalog, p. 35)

The Real Purpose of Education: (Why am I here?)

“Wisdom and knowledge, as well as virtue, diffused generally among the people [are] *necessary for the preservation of their rights and liberties*; . . .
Constitution of Massachusetts, Section II of Chapter 6 by John Adams, October 30, 1779.