Syllabus
ECON 100
Introduction to Economics

Spring 2016
Instructor: Ted Oleson

Dept. of Economics MS 0030
Room 319E Business Building
University of Nevada, Reno
Reno, NV 89557

Email: t_oleson@unr.edu
Office Hours: MWF 11-12 and by appointment

Webcampus: http://wcl.unr.edu (all registered students will automatically have an account)

Section 1001 MWF 10-10:50 AB 106

Required Materials:
All the texts are available at the UNR bookstore. Copies may also be obtained through various online booksellers at discounted prices.

- Clicker—required for in-class attendance, quizzes, etc.

Other Suggested Reading:
- Smith, Adam (1759) *The Theory of Moral Sentiments*

In addition to the required texts, various excerpts from other sources and handouts prepared for class will also be used. These will be available by various means, electronic and hardcopy, see reading list and handouts for details. Make sure you have access through webcampus.

Powerpoints and Notetakers:
In general, I will post all class materials including powerpoints on webcampus. However, I will usually post the actual powerpoints at the end of the week. This is done for several reasons including the observation from recent psychology of education studies that hand written notes are more useful for studying. When students have copies of the powerpoints, they tend to assume that they substitute for notes. To encourage effective note taking, I will post weekly “notetakers” on webcampus before the first lecture of the week. These provide an outline and “fill-in-the-blank” style notes to help identify key terms and concepts. They are NOT meant to be exhaustive, but should help guide your notes.

Overview: This course will introduce you to the economic principles and policies affecting the economy, while at the same time introducing you to ethical principles, how they relate to economic principles, and how they may affect policies and the economy. With regard to economic principles, we will examine both
microeconomics (the study of individual decision making by consumers and businesses) and macroeconomics (the study of social level problems that most often are reported in the evening news, e.g. economic growth, inflation, unemployment, government spending and taxes, money and interest rates and international exchange and trade). With regard to ethical principles, we will briefly examine ethical principles in general, but focus upon the applications of ethical principles in economic contexts. My goal is to introduce you to the terms and concepts of economics and ethics that will allow you to understand and critically analyze the condition of the economy, the various economic policies proposed to help the economy, and the role ethics play in shaping economic performance and policies.

Core Curriculum: This course meets the Social Science Requirement and Ethics Requirement of the University’s current Core Curriculum. In the new Silver Core starting Fall 2016, this course will satisfy:

- CO6 (Cultures, Societies & Individuals): Students will learn how to systematically analyze human social conditions (e.g., individuals, groups, communities, and cultures) with particular application to Economics. Students will learn to observe, theorize, model, experiment, and/or interpret as a means of inquiring into human social relations.
- CO12 (Ethics): Students will demonstrate understanding of the ethical principles in general or in application of specialized knowledge, results of research, creative expression, or design processes. Students will demonstrate an ability to recognize, articulate, and apply ethical principles in various academic, professional, social, or personal contexts.

This course will also develop discipline-specific competency in both CO2 (Quantitative Reasoning) and CO3 (Critical Analysis & Use of Information).

Ethics Component: This course will examine various approaches to ethical decision making including insights from economics. Adam Smith, recognized as the Father of Economics, is most well known for writing *An Inquiry into the Nature and Causes of the Wealth of Nations*, published in 1776. However, his *Theory of Moral Sentiments*, published in 1759 made him well known in his day. From an ethical perspective, the *Wealth of Nations*, can be considered an explanation of why pursuing self interest in the marketplace tends to constructive rather than destructive. The *Theory of Moral Sentiments* focuses on ethics, and in contrast to the *Wealth of Nations* can be considered an explanation of why virtues other than prudential self-interest support both “the good life” for the individual and prosperity for society. Russ Roberts, in his book *How Adam Smith Can Change Your Life: An Unexpected Guide to Human Nature and Happiness*, has taken excerpts from the *Theory of Moral Sentiments* and arranged them into a synopsis of Adam Smith’s view of how ethics form, how they shape the lives of individuals, and how they can positively shape society. The ethical insights of Russ Roberts and Adam Smith, along with ethical insights from other sources, will be woven into the presentation of economic content, so you understand how people are motivated by considerations other than self-interest and how societal prosperity is supported by both self-interest and virtues other than self-interest. Erwann and Slovic address decision-making in conditions of complexity and uncertainty in areas such as medical care, financial planning, mass catastrophes, and climate change.

Student Learning Outcomes:
After completing this course, students should be able to:

- Demonstrate an understanding of the methods and principles of microeconomic theory, including tradeoffs, opportunity costs, and marginal decision making.
- Explain how markets work and how market prices are determined using principles of supply and demand.
- Assess the impact of market failure such as externalities, and public goods and evaluate possible public policy remedies.
- Analyze financial markets and investments, including the stock market, and their relation to the economy.
• Evaluate key economic indicators (including GDP, unemployment, inflation) and their use in evaluating macroeconomic conditions
• Understand major macroeconomic tools, including fiscal and monetary policies, and their use in managing the economy
• Apply quantitative reasoning to understand and solve problems.
• Become critical consumers of information by explaining alternative perspectives and structuring hypotheses to evaluate evidence and distinguish between those alternatives.
• Identify and describe any particular virtuous or ethical behavior as some combination of fundamental virtues (courage, temperance, prudence, justice, faith, hope, and love)
• Understand how ethical principles support effective microeconomic interactions between pairs of individuals or small groups, and how they support effective macroeconomic systems.
• Apply ethical principles in a variety of economic contexts.

Grading: The course will use a plus/minus grading system ranging from A to F based upon the following elements:

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<tr>
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<th>Points</th>
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<tr>
<td>Attendance &amp; In Class questions (clicker)</td>
<td>150</td>
</tr>
<tr>
<td>Homework</td>
<td>100</td>
</tr>
<tr>
<td>Online Discussion</td>
<td>100</td>
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<tr>
<td>Midterm 1</td>
<td>200</td>
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<td>Midterm 2</td>
<td>200</td>
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<tr>
<td>Midterm 3/Final</td>
<td>250</td>
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<td><strong>Total</strong></td>
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Attendance (150 pts): Class attendance is expected and required. More than 10 absences will result in failing the class. We will use the turning technologies clicker (available at the bookstore) to take attendance and also occasional in class questions. After buying the clicker, please visit the Webcampus site for this class and select the menu item for registering your clicker (we will begin using them the second week of class). Not counting holidays and tests, there are approximately 35 class sessions, so you should expect to earn about 4 points per day. Rather than dealing with excused absences, I will add 12 points to your earned score (equivalent to 3 absences).

Homework: (100 pts) There will be several short homework assignments designed to encourage students to practice particular methods or apply the concepts developed in class to an interesting issue or context. We will also do some in-class exercises that will also count as part of the homework.

Online News and Discussion (100 pts): To encourage you to look at the world with an economist’s eye and with an ethical eye, the course will require several online postings and replies to other student postings. In general, you should expect to make 3 postings (averaging 250-300 words) during the semester, and reply to 3 postings made by other students (averaging 125-175 words). See separate document online, and later in extended syllabus. More information will provided in a separate document about specific topics and grading rubric.

Tests (650 pts): There will be a total of three exams during the course with the final exam consisting of a slightly longer, two part test covering both recent material and a comprehensive exam. Tests will be primarily multiple choice with some short answer or graphs. Test 1 will be approximately at the end of February, Test 2 will be in early April and Test 3 will be during Finals week. Test 3 will be a combination of the material from the last section, as well as some cumulative material.
**Extra Credit:** Students may earn extra credit by doing certain assignments offered during the course including attending economic speakers, analyzing certain economic news events, and other opportunities. Announcements will be made in class; please do not ask for individual extra credit. Maximum possible extra credit is 40 points.

**Grading Scale**
The following scale will be used to determine letter grades:

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<thead>
<tr>
<th>Grade</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>A</td>
<td>94–100%</td>
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<tr>
<td>A-</td>
<td>90–93%</td>
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<tr>
<td>B+</td>
<td>87–89%</td>
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<td>B</td>
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<td>B-</td>
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<td>C+</td>
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<td>C</td>
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<td>C-</td>
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<td>D+</td>
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<td>D</td>
<td>63–66%</td>
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<td>D-</td>
<td>60–62%</td>
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<td>F</td>
<td>below 59%</td>
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Grades may be curved to reflect class performance, but in no case will a more strict scale be used.

**Miscellaneous Policies**

**Late Assignments:** Most of the regular assignments are done to ensure that students are prepared for class. Therefore, late assignments are penalized. I will accept submissions in advance (including email) when you must miss class. If a paper is received on the date due, but after class, a ½ grade point deduction will be imposed. Beginning the day after, a 1 grade point deduction will be levied for each day late.

**Disability statement** If you have a disability for which you will need to request accommodations, please contact the instructor or someone at the Disability Resource Center (Thompson Student Services - 107) as soon as possible.

**Academic Integrity:** Students are expected to adhere to the ethical code as described in the UNR Student Handbook, and you commit to these principles by enrolling in this class. Academic dishonesty in any form is unacceptable, and penalties range from failing the exam or assignment to being dismissed from the university. We consider any violation of academic integrity to be a very serious matter.

**Audio and Video Recording:** Unauthorized video or audio recordings of this class is prohibited by law and the Board of Regents. This class may be recorded only with the written permission of the instructor, and only for personal use. In order to accommodate students with disabilities, some students may have been given permission to record class lectures and discussions, and student comments during class may thus be recorded.

**Academic Success Services:** Your student fees cover usage of the Math Center (784-4433 or www.unr.edu/mathcenter/), Tutoring Center (784-6801 or www.unr.edu/tutoring/), and University Writing Center (784-6030 or http://www.unr.edu/writing_center/). These centers support your classroom learning; it is your responsibility to take advantage of their services. Keep in mind that seeking help outside of class is the sign of a responsible and successful student.

**Statement on Audio and Video Recording:** “Surreptitious or covert video-taping of class or unauthorized audio recording of class is prohibited by law and by Board of Regents policy. This class may be videotaped or audio recorded only with the written permission of the instructor.” In order to
accommodate students with disabilities, some students may be given permission to record class lectures and discussions. Therefore, students should understand that their comments during class may be recorded.”

Classroom Behavior: (PLEASE READ)
- Please turn off cell phones and other devices
- No texting or facebooking or other non-class related uses of electronics
- Please arrive on-time and expect to leave at the end of class (if you have to leave early, please sit near the exit).

Online News Discussion (100 pts)
To encourage you to look at the world with an economist’s eye and with an eye for ethics, the course will require several online postings and replies to other student postings. In general, you should expect to make 3 postings (averaging 250-300 words) during the semester, and reply to 3 postings made by other students (averaging 125-175 words). You will make one post in each of the following sections and will make 1 response to another students post in each of the following sections.

1) Microeconomics —by February 28th—note posts by February 15th earn extra 10%.
2) Macroeconomics—by March 31st—posts by March 15th earn extra 10%
3) International and current events—by April 30th (replies by 5/6)—posts by April 15th earn extra 10%

Postings (20 pts each): Post one in each section of the course by the appropriate due date. Posts should be approximately 250-300 words in length. They will be graded upon the following criteria: length, grammar, topic relevance, explanation of topic, and complexity of topic. Each post will be worth 20 points graded on a simple scale: (A) 20 points full credit—exceeds standards; (B) 15 pts meets standards but not as fully explained, may be less complex or doesn’t meet word count; (C) 10 pts below standards in length, complexity, explanation, grammar, etc; (D) 5 points, seriously deficient, but turned in; (0) not turned in. As noted, if you turn it in early, you will receive extra credit.

Replies (10 pts each): Must reply to one posting by another student within a particular section by one week after the end of that section. Replies should not just be in the form of “I agree” nor “I disagree”. Replies should range 125 to 175 words and should expand or rebut the ideas in the post. You should refer to the argument made in the post and express your own opinion.

Late Postings or Replies: Late assignments will only be accepted within 5 days after the official due date. All assignments submitted after the official due date will be assessed a 5 point penalty.
**Tentative Course Outline**

Please refer to class notes and webcampus for specific readings and assignments

1) Introduction
   a. What is Economics?
      i. Microeconomics
      ii. Macroeconomics
      iii. A Social Science
         1. Developing Understanding (Collecting Facts and Developing Theories)
   iv. Policy Making
      1. Deciding what to do
      2. Necessarily involves prioritization or preferences, which implies ethical considerations
   b. What is Ethics?
      i. Ethical Metrics: Judging outcomes versus judging ways of behaving.
      ii. Seven Basic Virtues: Courage, Prudence, Temperance, Justice, Faith, Hope, Love
         1. Drawn largely from work of Dierdre McClosky, who summarizes centuries of work in philosophy on the topic of ethics and who relates ethics to economics.

2) Basic Microeconomics and applications
   a. Decision Making
      i. Economic Components:
         1. Utility maximization
         2. The Opportunity Cost Concept
         3. Thinking at the margin: Marginal benefit vs Marginal Cost
      ii. Ethics Components:
         1. Motivations
            a. Self-Interest: The workhorse assumption of economics
               i. The Iron Law of Me: Why do I care about myself more than I care about others (Roberts Ch 1-2)
            b. Beyond Self Interest and Stable Preferences
               i. Why is there more to happiness than satisfying self? (Roberts Ch 3)
               ii. How do others shape our preferences and our virtue? (Roberts Ch 4)
            c. The desire to be loved and be lovely: The other side of Adam Smith
               i. How can I be loved by others and be worthy of being loved? (Roberts Ch5-7)
   b. Supply and Demand
      i. Economic Components:
         1. How markets work
         2. How markets allocate
      ii. Ethics Components:
         1. Evaluating market performance
            a. Pareto Efficiency: A criterion that respects individual autonomy
            b. Rawlsian Justice: A criterion which recognizes our preferences for allocation mechanisms probably depend upon our current situation.
         2. Ethical evaluation of alternatives to market allocation
            a. From each according to ability, to each according to need
            b. The ethics (and economics) of price controls
c. Market Failure
   i. Economic Components
      1. Externalities
      2. Public goods
      3. Inequality
   ii. Ethics Components
      1. Unequal distribution of income: Just or unjust?
      2. Government actions which can correct or mitigate market injustices
      3. How ethics can augment market performance
         a. How ethics can reduce the need for government coercion
            i. Ethics imbedded in tradition (Roberts Ch 8)
         b. How ethics can enhance market efficiency: The role of trust (Roberts Ch 8)

d. Market Structures
   i. Economic Components
      1. Perfect Competition
      2. Imperfect Competition and Monopoly
      3. Inefficiencies of imperfect competition and how government regulation can be helpful.
   ii. Ethical Components
      1. The ethics of competition: Adam Smith’s Invisible Hand
      2. Small circle vs large circle ethics (Roberts Ch 10)

Test 1

3) Financial Markets and investments
   a. Ethical Component: Is charging interest unethical? (Usury)

4) The Macroeconomy:
   a. Problems and Indicators
   b. Managing Aggregate Demand
      i. Fiscal Policies
      ii. Monetary policies
      iii. Ethical Component: The ethics of transfer payments, progressive income tax, and income redistribution

Test 2

c. The International Macroeconomy
   i. Ethical Component: Is it ethical to put America first?

5) The 2007 crisis and current situation
   a. Ethical Component: Ethical considerations relative to the recent financial crisis and great recession.

Test 3/Final

**Chapter 1: Introduction**

**Chapter 2: How to know yourself**
- Are we self interested? We feel more distraught over losing our own finger than after hearing of a multitude being killed in a natural disaster.
- Why do we empathize and move beyond self interest? We recognize we are but one of a multitude. We would not agree to having a multitude killed to restore a lost finger. We desire to act nobly and honorably. We care what others think about us. Smith’s impartial spectator---Conscience.

**Chapter 3: How to be happy**
- Why do we sacrifice self for integrity, honesty, and reputation? We not only want others to think well of us, but we want to know that we deserve adulation. Being worthy of respect and honor is an end which motivates people, separate from whether the respect and honor is received.
- Will you use cost-benefit analysis to determine whether you will stay married? Not if you want to stay married. The desire for honor and respect helps people endure situations where costs temporarily exceed benefits, as can be true in marriage.
- Was Lance Armstrong happy about his Tour De France wins? He received praise while knowing he was not praiseworthy, so he probably was not as happy as those who finished behind him who did not receive as much praise but knew they competed honorably and well.

**Chapter 4: How to not fool yourself**
- How are we able to lie to ourselves? Present passions can overrule to dispassionate impartial spectator. Confronting frailties and shortcomings is painful, as is foregoing immediate gratification, so in the heat of the moment we rationalize.
- Why is it easier to see moral imperfections in others than in yourself? We naturally consider our own actions worthy until we learn from rebuke or from seeing another rebuked. We tend to learn what is appropriate unconsciously as we interact with others.
- Why can economists readily see a problem with a theory they do not support but not see a problem with the theory they do support? Confirmation bias. We can delude ourselves so as to see ourselves lovely, especially relative to a view we do not support.

**Chapter 5: How to be loved**
- Why are people imprudent and unjust? The desire for wealth or fame over-ride the man in the best and the impartial spectator so we lose our self control or over-ride our disdain for hurting others. The world does pay attention to rich and famous people, so that is a route to being loved (honored, respected).
- If you cannot be loved by being rich or famous, is there another way to be loved? By being wise and virtuous. Wisdom and virtue move people to care about you.

**Chapter 6: How to be Lovely**
- How can you be lovely, or worthy of praise? Be appropriate. Behave appropriately.
- How do we learn what is appropriate? Parents. Teachers. Colleagues. Friends. We learn from others the level of approbation or disapprobation to associate with different behaviors. We are appropriate when our sentiment corresponds with the common sentiments, when what we feel corresponds with what the average other feels.
- How can I get others to like me? Rejoice in their joys, and join in their sorrows. Others will especially want you to join in their anger, but you will naturally resist until you understand why they are angry and agree with their reasoning.
Chapter 7: How to be Good

- How can you be loved and lovely by being virtuous? Be prudent, just, and beneficent.
- How can you be virtuous in the face of tempting vice? Recognize and obey hard and fast rules rather than recognizing and mostly obeying slightly relaxed rules.

Chapter 8: How to make the world a better place

- How can we make the world a more moral place? Express approval for good behavior and express disapproval of bad behavior. The repeated positive reinforcement of good behavior and repeated punishment of bad behavior is how good behavior becomes a norm, displacing bad behavior.
- How can Kant’s Categorical Imperative be applied to make the world a better place? For the typical person, the costs of voting outweigh the benefits, so it is individually prudent not to vote. The Categorical Imperative says the moral action is the one with the most positive impact when everyone behaves that way. If everyone considered only their own interests and did not vote, then democratic self-governance would not be possible, a worse situation than if everyone sacrifices self and votes.
- How does trust make the world a better place? Trust is imprudent in that you put yourself at risk, you place your fate in the hands of another, in order to make some gain possible. If you do not exhibit the courage to trust, no gain is possible. Trust is positively reinforced by trustworthiness and punished by the lack of trust worthiness. The morality imbedded in the Categorical Imperative supports trust and trustworthiness, and the benefits obtained therefrom.

Chapter 9: How not to make the world a better place

- Why may intentionally seeking to guide the world to a better place through politics actually make matters worse? The man of system. The world is complex so well intended actions often have unintended negative consequences. In the face of negative consequences, the man of system refuses to adjust. Successful leaders are flexible, and are often willing to regulate less rather than more, recognizing there is less ability to steer a social system than one might think, because of the complexity of the system.

Chapter 10: How to live in the modern world

- How did technological change revolutionize how people relate to each other? The development of specialization and trade extended the typical social circle from a few people to thousands of people, and in the modern world to billions of people. Adam Smith’s Theory of Moral Sentiments examines human relationships in small circles, while his Wealth of Nations examines human relationships in large circles. In the modern world, people cooperate with each other through impersonal exchange relationship in addition to personal interactions.
- Why might it be useful to recognize two moral contexts in the modern world? Our ability to empathize decreases with social distance. The self-interest which will naturally be displayed in relationships with larger social distance can be transformed by markets into societal prosperity, while the beneficence which is more naturally displayed in small social circles can support individual security.
- Why might social systems perform less effectively when it is not recognized that moral precepts have natural boundaries? If you only genuinely feel beneficence toward those you personally know or in your small social circle, a social system which requires you to care for those outside your social circle will tend to fail. Conversely, if you try to make the self-interest which can be productive in a free market economy the primary way you interact with people in your small social circle, then you will not tend to be lovely or be loved by those around you.