

**ECON 452: Senior Seminar**  
**Sweet Briar College, Fall 2012**  
**Sherry Forbes**  
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## Course Information

### Description

The original will of Alfred Nobel (1895) established Nobel Prizes in only five fields - physics, chemistry, medicine or physiology, literature, and peace - and the Prize continues to be considered one of the most prestigious awards for advances in those fields today. But in 1968, the Sveriges Riksbank established a Nobel Prize in the field of Economic Sciences, establishing an award for economists who "have during the previous year rendered the greatest service to mankind." But why **economics**? Nobel Prizes were not originally established for any field in the social sciences, so why was economics the only one to get a Nobel Prize? What is this "service" that economists provide, and what is the relevance of this "science of economics" for today's problems? These are the questions we are going to address in this seminar as we study the contributions of the Nobel laureates. Specifically, we are going to examine 1.) the development of modern economics through the contributions of the Nobel Prize winners in economics, and 2.) how those ideas influenced (and continue to influence) every day life and how we think about the "big ideas" of today.

Economics is not a "settled" discipline - the development of economic ideas and of economics as a science has not been neat, organized, or even at times very coherent. Why is there so much controversy? Much of the debate, of course, revolves around the appropriate role for government and how much we should rely on free markets or government intervention to solve society's problems. But some of the debates even question if economics is even really a science... And if it's not, how much faith should we place in what our theories tell us? This is an important question, since the range of issues that economists study are broadening; and now, it seems like no aspect of human behavior is off-limits. Nay-sayers will often accuse our field of being schizophrenic - in fact, the joke goes "Economics is the only field in which two people can get a Nobel Prize for saying exactly opposite things." However - at the same time - it can also be claimed that it is just this kind of unresolved controversy that makes economics one of the most exciting fields to study today.

The Nobel Prize in economics has been surrounded by controversy and unsettled debates - much like the history of modern economics itself. So through this seminar, we are going to examine selections from the prize-winning contributions of the Nobel laureates, along with their Nobel lectures. In the speeches, the laureates attempt to explain their contributions and ideas to a general, but educated, audience. As you will see, some are better at this than others(!); but nonetheless, the speeches themselves are wonderful resources and are now available online at NobelPrize.org. Just how influential are these ideas? And why are they important? These are the key questions that you will consider as you begin to gain a better understanding of how economics has emerged in its present form. Through your readings (that will also include select pieces from the academic literature and pieces from the popular press), you will place the development of key economic theories, ideas, and methods in historical context. You will also begin to critically assess the merits and limitations of modern economics in addressing the major political and social questions of the day. The influence of many of these prize-winning ideas cannot be underestimated; and what (I hope) you will discover is that economists really have changed the way people think.

### Prerequisites

Senior status. ECON 452 is the capstone class for Economics majors.

## Required and Recommended Materials

- Required:

- Breit, W. and B. Hirsch. *Lives of the Laureates: Twenty-three Nobel Economists*. Cambridge: MIT Press, 2009. (ISBN-10: 0262012766; ISBN-13: 978-0262012768)
- Karier, Thomas. *Intellectual Capital: Forty Years of the Nobel Prize in Economics*. New York: Cambridge University Press, 2010. (ISBN-10: 0521763266; ISBN-13: 978-0521763264)
- Horn, K. *Roads to Wisdom: Conversations with Ten Nobel Laureates in Economics*. Edward Elgar, 2009. (ISBN-10: 1848446705; ISBN-13: 978-1848446700)
- Snowdon, B. and H. Vane. *Modern Macroeconomics: Its Origins, Development and Current State*. Cheltenham: Edward Elgar, 2005. (ISBN-10: 1845422082; ISBN-13: 978-1845422080)
- Strunk, W. and E.B. White. *The Elements of Style*. New York: Longman, 2000. (ISBN-10: 020530902X; ISBN-13: 9780205309023)
- The Official Web Site of the Nobel Prize: "All Prizes in Economic Sciences". Nobelprize.org.
- Articles and Resources posted on <http://people.virginia.edu/~slf9s/sbc/econ452/schedule.htm>

- Recommended:

- Backhouse, R. *The Ordinary Business of Life: A History of Economics from the Ancient World to the Twenty-First Century*. Princeton University Press, 2004. (ISBN-10: 9780691116297; ISBN-13: 978-0691116297)

## Lecture Attendance and Class Policies

Class meetings are Mondays (1330-1620) in Gray 306. Since our seminar meets only once a week, is it important that you attend every class. Please plan your schedules accordingly and let me know no later than 14 September 2012 of any known (and unavoidable) absences.

Please be courteous to your fellow students - please be on time for class and limit distractions. Laptops and cell phones should remain off during class unless expressly permitted.

## Grades and Grading Policies

### Distribution

Grades are ultimately a judgment call by the instructor; but, for this course, the A range is approximately 90-100, the B range 80-90, etc. The following weights will be employed to determine the grade distribution for the class:

Description	Weight
Presentations	40%
Writing Assignments	30%
Class Discussions	25%
Mandatory Assessment	5%
Total	100%

What you do each week will vary: for each seminar, roughly one-third of you will be presenting, one-third of you will be writing, and the remaining one-third of you will be asked to prepare discussion questions. Roles will rotate so that, e.g., you should be giving a presentation about every third week. Presentations, writing assignments, and discussion questions should all be sent to me 24 hours in advance of the seminar.

## **Presentations**

Class presentations will vary week-by-week. Prize-winning economic ideas are - in general - not very amenable to being presented in cookie-cutter formats, so what we do, what we will read, and what I will ask you to present to the class may change from week to week. However, generally speaking, each student will be responsible for presenting the ideas of one laureate - and this may involve presenting one of their original articles, presenting ideas from their Nobel Prize lecture, and/or presenting a current paper from the academic literature that reflects those ideas. Some weeks we may focus on understanding the ideas themselves, while other weeks we may focus more on how those ideas have influenced contemporary debates and current topics being researched. Keep in mind that **all** presentations should address how each laureate might respond to two "big questions": *To what extent is economics a science?* and *What is the proper role of government in the economy?*

## **Writing Assignments**

For your writing assignments, you will address the contemporary issue of the week from the perspective of one of the assigned laureates. Your job is to dig into the mind of the laureate to write a position paper *from their perspective*. Imagine that you are that laureate, and you have just been asked to be on the President's Council of Economic Advisors.

The Council of Economic Advisers, an agency within the Executive Office of the President, is charged with offering the President objective economic advice on the formulation of both domestic and international economic policy. The Council bases its recommendations and analysis on economic research and empirical evidence, using the best data available to support the President in setting our nation's economic policy.

Suppose the President now asks your advice on what he should do about "X"? How would you - as the laureate - respond?

The writing assignments have a dual purpose: the first is to get you to understand how the laureate thinks about the world. Read the biographical sketches, find out why they were awarded the Nobel Prize, and look at their research. Get an idea of what general principles guide their thinking. The second is for you to learn to write short, concise prose. You should be making tight arguments, not lengthy expositions. Only write 1-2 pages for these assignments.

## **Class Discussions**

In preparation for the class discussions, those of you not presenting or writing will prepare questions for discussion (at least four) from the week's readings. Your participation in class discussions and the discussion questions you submit will contribute to your class participation score.

## **Mandatory Assessment**

For the major in economics, you are required to take the ETS Major Field Test - your score on this exam will comprise 5% of your grade in this course.

## **Other Important Information**

### **Honor Code**

Sweet Briar's Honor Code is in effect for this class - please respect and uphold the honor code to continue the privileges that it affords you.

### **This Syllabus**

This syllabus is an important course document, and I reserve the right to make changes to the syllabus and/or my policies at my discretion. Continued enrollment in the course indicates agreement with its terms and conditions.

## Seminar Schedule (Outline)

- 03 September 2012: **On Economic Methodology: Is Economics a Science?**
- 10 September 2012: **Individual Choice, Free-Market Economics, and the Dangers of Big Government**
- 17 September 2012: **The Adding-Up Question: The Individual vs. The Social**
- 24 September 2012: **Game Theory and its (Many) Applications**
- 01 October 2012: **What Happens When People Aren't Perfect?**
- 08 October 2012: **What Happens When Markets Aren't Perfect?**
- 15 October 2012: **Looking Outside the (Black) Box (a.k.a. Institutions)**
- 22 October 2012: **(Optimal?) Taxation**
- 29 October 2012: **Economic Growth or Dead in the Long-Run?**
- 05 November 2012: **What about Money?**
- 12 November 2012: **What's Old is New Again: New Classical Macroeconomics**
- 19 November 2012: *Thanksgiving Break*
- 26 November 2012: **What About the Rest of the World? (International Issues)**
- 03 December 2012: **What About the Rest of the Rest of the World? (Issues in Development Economics)**
- 10 December 2012: **(Lessons From?) Economic History**

## Seminar Schedule (Readings)

### Week 01 - 03 September 2012

#### **On Economic Methodology: Is Economics a Science? (Frisch and Tinbergen)**

- BACKGROUND / OVERVIEWS
  - †Karier, Thomas. *Intellectual Capital: Forty Years of the Nobel Prize in Economics*. New York: Cambridge University Press, 2010. 1-13.
- SOURCE (AND OTHER) ARTICLES
  - †Friedman, M. 1953. The Methodology of Positive Economics. In Mäki, U., ed., 2009. *The Methodology of Positive Economics: Reflections on the Milton Friedman Legacy*, Cambridge.
  - †Hendry, D. 1980. Econometrics - Alchemy or Science? *Economica* 47(188), 387-406.
- NOBELPRIZE.ORG RESOURCES
  - "The Prize in Economics 1969 - Presentation Speech".
  - †"Ragnar Frisch - Prize Lecture: From Utopian Theory to Practical Applications: The Case of Econometrics".
  - †"Jan Tinbergen - Prize Lecture: The Use of Models: Experience and Prospects".
- CONTEMPORARY TOPIC: IS ECONOMICS A SCIENCE?

- †Mankiw, G. 2006. The Macroeconomist as Scientist and Engineer. *Journal of Economic Perspectives* 20(4), 29-46.
- (For Fun) Check out the blogs, ramblings, and writings from economists and others - there are many (and diverse) opinions on this topic! Try Googling "Is Economics a Science?". A few to look for are Greg Mankiw's "Is Economics a Science?", Charlie Plott's "Letter to The Economist", Alvin Roth's "Is Economics a Science? (Of course it is...)", Jim Manzi's "Is Economics a Science?", Alex Pollock's "Is Economics a Science?", and Abhinandan Mallick's "Why Friedman Misunderstood Physics and Mises was Right about Economics."

## Week 02 - 10 September 2012

### Individual Choice, Free-Market Economics, and the Dangers of Big Government (Stigler and Hayek)

#### • BACKGROUND / OVERVIEWS

- †Karier, Thomas. *Intellectual Capital: Forty Years of the Nobel Prize in Economics*. New York: Cambridge University Press, 2010. 14-20; 43-48.

#### • SOURCE (AND OTHER) ARTICLES

- †Stigler, G. 1962. The Intellectual and the Market Place. Selected Papers, no. 3. Chicago: University of Chicago Graduate School of Business.
- †Stigler, G. and P. Samuelson. 1963. A Dialogue on the Proper Economic Role of the State. Selected Papers, no. 7. Chicago: University of Chicago Graduate School of Business. 1-20.
- †Stigler, G. 1971. The Theory of Economic Regulation. *Bell Journal of Economics and Management Science* 3: 3-18.
- Stigler, G. 1961. The Economics of Information. *Journal of Political Economy* 69(3): 213-225.
- Stigler, G. 1962. Information in the Labor Market. *Journal of Political Economy* 70(5): 94-105.
- †Hayek, F. A. (1936). Economics and Knowledge. Presidential address delivered before the London Economic Club, November 10, 1936.
- †Hayek, F. A. (1945). The use of knowledge in society. *American Economic Review* 35(4): 519-530.
- Hayek, F. A. (1968). Competition as a discovery procedure. (Translation: Snow, M. (2002). *The Quarterly Journal of Austrian Economics* 5(3): 9-23.
- (For Fun) The Road to Serfdom in Cartoons

#### • NOBELPRIZE.ORG RESOURCES

- "George J. Stigler - Prize Lecture: The Process and Progress of Economics."
- "Friedrich August von Hayek - Prize Lecture: The Pretence of Knowledge."

#### • INTERVIEWS / BIOGRAPHIES

- Breit, W. and B. Hirsch. *Lives of the Laureates: Twenty-three Nobel Economists*. Cambridge: MIT Press, 2009. 79-93. (George Stigler)

#### • CONTEMPORARY TOPIC: HEALTH CARE

- †Arrow. 1963. Uncertainty and the Welfare Economics of Medical Care. *American Economic Review*, 53(5): 941-73.
- †Cochrane, J. "Forget about the Mandate. Let's Fix Health Care." Bloomberg, 12 July 2012.
- †Friedman, G. "Universal Health Care: Can We Afford Anything Less?" June/July 2011. *Dollars and Sense* / Op-Ed.

- †Garber, A. and J. Skinner. 2008. Is American Health Care Uniquely Inefficient? *Journal of Economic Perspectives* 22(4): 27-50.
- †Angrisano, et. al. 2007. Accounting for the Cost of Health Care in the United States. McKinsey Global Institute.

## Week 03 - 17 September 2012

### The Adding-Up Question: The Individual vs. The Social (Arrow and Buchanan)

- BACKGROUND / OVERVIEWS

- †Karier, Thomas. *Intellectual Capital: Forty Years of the Nobel Prize in Economics*. New York: Cambridge University Press, 2010. 228-233; 28-33

- SOURCE (AND OTHER) ARTICLES

- †Arrow, K. 1950. A Difficulty in the Concept of Social Welfare. *Journal of Political Economy* 58: 328-346.
- Arrow, K. Social Choice and Individual Values. New York: John Wiley & Sons, 1951(1963).
- †Buchanan, J. 1954. Social Choice, Democracy, and Free Markets. *Journal of Political Economy* 62:114-123.
- †Brennan, G. and J. Buchanan. 1984. Voter Choice and the Evaluation of Political Alternatives. *American Behavioral Scientist* 28: 185-201.
- Buchanan, J. 1954. Individual Choice in Voting and the Market. *Journal of Political Economy* 62(4): 334-343.

- NOBELPRIZE.ORG RESOURCES

- "James M. Buchanan Jr. - Prize Lecture: The Constitution of Economic Policy."

- INTERVIEWS / BIOGRAPHIES

- †Breit, W. and B. Hirsch. *Lives of the Laureates: Twenty-three Nobel Economists*. Cambridge: MIT Press, 2009. 35-47. (Kenneth Arrow)
- †Horn, K. *Roads to Wisdom: Conversations with Ten Nobel Laureates in Economics*. Edward Elgar, 2009. 58-84. (Kenneth Arrow)
- Breit, W. and B. Hirsch. *Lives of the Laureates: Twenty-three Nobel Economists*. Cambridge: MIT Press, 2009. 137-151. (James Buchanan)
- Horn, K. *Roads to Wisdom: Conversations with Ten Nobel Laureates in Economics*. Edward Elgar, 2009. 85-109. (James Buchanan)

- CONTEMPORARY TOPIC: STRATEGIC VOTING

- †Feddersen, T. and W. Pesendorfer. 1998. Convicting the Innocent: The Inferiority of Unanimous Jury Verdicts under Strategic Voting. *American Political Science Review* 92(1): 23-35.
- †Coughlan, P. 2000. In Defense of Unanimous Jury Verdicts: Mistrials, Communication, and Strategic Voting. *American Political Science Review* 94(2): 375-393.
- †Gerardi, D. 2000. Jury Verdicts and Preference Diversity. *American Political Science Review* 94(2): 395-406.
- †Guarnaschelli et. al. 2000. An Experimental Study of Jury Decision Rules. *American Political Science Review* 94(2): 407-423.

## Week 04 - 24 September 2012

### Game Theory and its (Many) Applications (Harsanyi, Nash, Selten, Aumann, and Schelling)

- BACKGROUND / OVERVIEWS

- †Karier, Thomas. *Intellectual Capital: Forty Years of the Nobel Prize in Economics*. New York: Cambridge University Press, 2010. 193-217
- †Chapter 15: Game Theory in Varian, H. *Microeconomic Analysis, 3rd Ed.* New York: Norton, 1992.

- SOURCE (AND OTHER) ARTICLES

- Nash, J. 1950. The Bargaining Problem. *Econometrica* 18(2): 155-162.
- Nash, J. 1953. Two-Person Cooperative Games. *Econometrica* 21(1): 128-140.
- Schelling, T. 1958. The Strategy of Conflict: Prospectus for a Reorientation of Game Theory. *Journal of Conflict Resolution* 2(3): 203-264.
- Schelling, T. *The Strategy of Conflict*. Cambridge: Harvard University Press, 1980(1960).

- NOBELPRIZE.ORG RESOURCES

- "John F. Nash, Jr. - Prize Seminar: The Work of John Nash in Game Theory."
- "John C. Harsanyi - Prize Lecture: Games with Incomplete Information."
- "Thomas C. Schelling - Prize Lecture: An Astonishing Sixty Years: The Legacy of Hiroshima".

- INTERVIEWS / BIOGRAPHIES

- Breit, W. and B. Hirsch. *Lives of the Laureates: Twenty-three Nobel Economists*. Cambridge: MIT Press, 2009. 223-234. (John Harsanyi)
- Breit, W. and B. Hirsch. *Lives of the Laureates: Twenty-three Nobel Economists*. Cambridge: MIT Press, 2009. 393-420. (Thomas Schelling)
- Horn, K. *Roads to Wisdom: Conversations with Ten Nobel Laureates in Economics*. Edward Elgar, 2009. 173-197. (Reinhard Selten)

- CONTEMPORARY TOPIC: THE RATIONAL DESIGN OF INTERNATIONAL INSTITUTIONS

- †Koremenos, B., Lipson, C. and D. Snidal. 2001. The Rational Design of International Institutions. *International Organization* 55(4): 761-799.
- †Rosendorff, B. and H. Milner. 2001. The Optimal Design of International Trade Institutions: Uncertainty and Escape. *International Organization* 55(4): 829-857.
- †Pahre, R. 2001. Most-Favored-Nation Clauses and Clustered Negotiations. *International Organization* 55(4): 859-890.
- Duffield, J. 2003. The Limits of "Rational Design". *International Organization* 57(2): 411-430.
- Koremenos, B. and D. Snidal. 2003. Moving Forward, One Step at a Time. *International Organization* 57(2): 431-444.

## Week 5 - 01 October 2012

### What Happens When People Aren't Perfect? (Simon, Kahneman, and Smith)

- BACKGROUND / OVERVIEWS

- †Karier, Thomas. *Intellectual Capital: Forty Years of the Nobel Prize in Economics*. New York: Cambridge University Press, 2010. 85-92; 93-110

- SOURCE (AND OTHER) ARTICLES

- †Simon, H. 1955. A Behavioral Model of Rational Choice. *Quarterly Journal of Economics* 69(1): 99-118.
- †Kahneman, D. and A. Tversky. 1981. The Framing of Decisions and the Psychology of Choice. *Science* 211(4481): 452-458.
- †Kahneman, D. and A. Tversky. 1974. Judgement under Uncertainty: Heuristics and Biases. *Science* 185(4157): 1124-1131.
- Kahneman, D. *Thinking, Fast and Slow*. New York: Farrar, Straus and Giroux, 2011.
- Smith, V. 1976. Experimental Economics: Induced Value Theory. *American Economic Review* 66(2): 274-279.
- †Smith, V. 1982. Microeconomic Systems as an Experimental Science. *American Economic Review* 72(5): 923-955.

- NOBELPRIZE.ORG RESOURCES

- †"Vernon L. Smith - Prize Lecture: Constructivist and Ecological Rationality in Economics."
- †"Daniel Kahneman - Prize Lecture: Maps of Bounded Rationality."
- "Herbert A. Simon - Prize Lecture: Rational Decision-Making in Business Organizations."

- INTERVIEWS / BIOGRAPHIES

- Breit, W. and B. Hirsch. *Lives of the Laureates: Twenty-three Nobel Economists*. Cambridge: MIT Press, 2009. 335-356. (Vernon Smith)
- Horn, K. *Roads to Wisdom: Conversations with Ten Nobel Laureates in Economics*. Edward Elgar, 2009. 221-240. (Vernon Smith)

- CONTEMPORARY TOPIC: TEACHER PAY AND STUDENT PERFORMANCE

- Anderson, J., Reder, L. and H. Simon. 1998 Radical Constructivism and Cognitive Psychology. *Brookings Papers on Educational Policy* 1: 227-278.
- †Weissman, J. "A Very Mean (but Maybe Brilliant) Way to Pay Teachers." *The Atlantic*, 24 July 2012.
- Fryer, et. al. Enhancing the Efficacy of Teacher Incentives through Loss Aversion: A Field Experiment. NBER Working Paper 18237 (July 2012).
- †Thompson, D. "Freakonomics Goes to School and Teaches Us the Right Way to Bribe Kids." *The Atlantic*, 19 June 2012.
- Levitt, et. al. The Behavioralist Goes to School: Leveraging Behavioral Economics to Improve Educational Performance. NBER Working Paper 18165 (June 2012).



## Week 6 - 08 October 2012

### What Happens When Markets Aren't Perfect? (Akerlof, Stiglitz, Spence)

- BACKGROUND / OVERVIEWS
  - †Karier, Thomas. *Intellectual Capital: Forty Years of the Nobel Prize in Economics*. New York: Cambridge University Press, 2010. 110-124
- SOURCE (AND OTHER) ARTICLES
  - †Akerlof, G. 1970. The Market for "Lemons": Quality Uncertainty and the Market Mechanism. *The Quarterly Journal of Economics* 84(3): 488-500.
  - †Spence, M. 1973. Job Market Signaling. *The Quarterly Journal of Economics* 87(3): 355-374.
  - Rothschild, M. and J. Stiglitz. 1976. Equilibrium in Competitive Insurance Markets: An Essay on the Economics of Imperfect Information. *The Quarterly Journal of Economics* 90(4): 629-649.
  - Stiglitz, J. and A. Weiss. 1981. Credit Rationing in Markets with Imperfect Information. *The American Economic Review* 71(3): 393-410.
- INTERVIEWS / BIOGRAPHIES
  - Horn, K. *Roads to Wisdom: Conversations with Ten Nobel Laureates in Economics*. Edward Elgar, 2009. 198-220 (George Akerlof)
- NOBELPRIZE.ORG RESOURCES / CONTEMPORARY TOPIC: WHEN THE INVISIBLE HAND DROPS THE BALL...
  - †"A. Michael Spence - Prize Lecture: Signaling in Retrospect and the Informational Structure of Markets."
  - †"George A. Akerlof - Prize Lecture: Behavioral Macroeconomics and Macroeconomic Behavior."
  - "Writing the "The Market for 'Lemons'": A Personal Interpretive Essay."
  - †"Joseph E. Stiglitz - Prize Lecture: Information and the Change in the Paradigm in Economics."

## Week 7 - 15 October 2012

### Extra-Market Features: Looking Outside the Black Box... (Coase, Ostrom, and Williamson)

- BACKGROUND / OVERVIEWS
  - †Karier, Thomas. *Intellectual Capital: Forty Years of the Nobel Prize in Economics*. New York: Cambridge University Press, 2010. 52-57; 295-299
- SOURCE (AND OTHER) ARTICLES / CONTEMPORARY TOPIC: ECONOMIC GOVERNANCE AND INSTITUTIONS
  - †Coase, R. 1937. The Nature of the Firm. *Economica* 4(16): 386-405.
  - †Coase, R. 1960. The Problem of Social Cost. *Journal of Law and Economics* 3:1-44.
  - †Ostrom, E. 2000. Collective Action and the Evolution of Social Norms. *Journal of Economic Perspectives* 14(3): 137-158.
  - †Ostrom, E. 1992. Property-Rights Regimes and Natural Resources: A Conceptual Analysis. *Land Economics* 68(3): 249-262.
  - †Ostrom, E. 2008. Institutions and the Environment. *Economic Affairs* 28(3): 24-31.

- †Cardenas, J. and E. Ostrom. 2004. What do People Bring into the Game? Experiments in the Field about Cooperation in the Commons. *Agricultural Systems* 82: 307-326.
- Ostrom, E. 2009. Beyond the Tragedy of the Commons. *Economia delle fonti di energia e dell'ambiente* 52(1): 35-60.
- †Williamson, O. 1981. The Economics of Organizations: The Transaction Cost Approach. *American Journal of Sociology* 87(3): 548-577.
- †Williamson, O. 2002. The Theory of the Firm as Governance Structure: From Choice to Contract. *Journal of Economic Perspectives* 16(3): 171-195.
- NOBELPRIZE.ORG RESOURCES
  - "Ronald H. Coase - Prize Lecture: The Institutional Structure of Production."
  - "Elinor Ostrom - Prize Lecture: Beyond Markets and States: Polycentric Governance of Complex Economic Systems."
  - †"Oliver E. Williamson - Prize Lecture: Transaction Cost Economics: The Natural Progression."
- INTERVIEWS / BIOGRAPHIES
  - Breit, W. and B. Hirsch. *Lives of the Laureates: Twenty-three Nobel Economists*. Cambridge: MIT Press, 2009. 189-207. (Ronald Coase)

## Week 8 - 22 October 2012

### Optimal Taxation (Mirrlees, Vickrey, and Modigliani)

- BACKGROUND / OVERVIEWS
  - †Karier, Thomas. *Intellectual Capital: Forty Years of the Nobel Prize in Economics*. New York: Cambridge University Press, 2010. 78-85; 142-146
  - †Mankiw, G., Weinzierl, M., and D. Yagan. 2009. Optimal Taxation in Theory and Practice. *Journal of Economic Perspectives* 23(4): 147-174.
- SOURCE (AND OTHER) ARTICLES / NOBELPRIZE.ORG RESOURCES
  - †"James A. Mirrlees - Prize Lecture: Information and Incentives: The Economics of Carrots and Sticks."
  - †Akerlof, G. 1978. The Economics of "Tagging" as Applied to the Optimal Income Tax, Welfare Programs, and Manpower Planning. *American Economic Review* 68(1): 8-19.
  - †"Franco Modigliani - Prize Lecture: Life Cycle, Individual Thrift and the Wealth of Nations."
  - Mirrlees, J. 1971. An Exploration in the Theory of Optimum Income Taxation. *Review of Economic Studies* 38(2): 175-208.
  - Diamond, P. and J. Mirrlees. 1971. Optimal Taxation and Public Production I: Production Efficiency. *American Economic Review* 61(1): 8-27.
  - Diamond, P. and J. Mirrlees. 1971. Optimal Taxation and Public Production II: Tax Rules. *American Economic Review* 61(3-1): 261-278.
  - Vickrey, W. 1945. Measuring Marginal Utility by Reactions to Risk. *Econometrica* 13(4): 319-333.
- CONTEMPORARY TOPIC: LET'S TAX TALL PEOPLE!
  - †Mankiw, G. and Weinzierl, M. 2009. Do You Really Want to Tax Ability? VoxEU.org.
  - †Mankiw, G. and Weinzierl, M. 2009. The Optimal Taxation of Height: A Case Study of Utilitarian Income Redistribution. NBER Working Paper 14976.
  - †Case, A. and Paxson, C. 2008. Stature and Status: Height, Ability, and Labor Market Outcomes. *Journal of Political Economy* 116(3): 499-532.

## Week 9 - 29 October 2012

### Theories of Economic Growth (Samuelson and Solow)

#### • BACKGROUND / OVERVIEWS

- †Karier, Thomas. *Intellectual Capital: Forty Years of the Nobel Prize in Economics*. New York: Cambridge University Press, 2010. 125-137
- †Snowdon, B. and H. Vane. *Modern Macroeconomics: Its Origins, Development and Current State*. Cheltenham: Edward Elgar, 2005. Chapter 11, 579-613.
- Harrod, R.F. 1939. An Essay in Dynamic Theory. *Economic Journal* 49(193): 14-33.
- Barro, R., Mankiw, G. and X. Sala-i-Martin. 1995. Capital Mobility in Neoclassical Models of Growth. *American Economic Review* 85(1): 103-115.

#### • SOURCE (AND OTHER) ARTICLES

- †Solow, R. 1956. A Contribution to the Theory of Economic Growth. *Quarterly Journal of Economics* 70(1): 65-94.
- †Solow, R. 1957. Technical Change and the Aggregate Production Function. *Review of Economics and Statistics* 39(3): 312-320.

#### • NOBELPRIZE.ORG RESOURCES

- "Paul A. Samuelson - Prize Lecture: Maximum Principles in Analytical Economics."
- †"Robert M. Solow - Prize Lecture: Growth Theory and After."

#### • INTERVIEWS / BIOGRAPHIES

- Horn, K. *Roads to Wisdom: Conversations with Ten Nobel Laureates in Economics*. Edward Elgar, 2009. 39-57. (Paul Samuelson)
- †Snowdon, B. and H. Vane. *Modern Macroeconomics: Its Origins, Development and Current State*. Cheltenham: Edward Elgar, 2005. 660-672. (Robert Solow)

#### • †CONTEMPORARY TOPIC: THE CONVERGENCE DEBATE

- †Snowdon, B. and H. Vane. *Modern Macroeconomics: Its Origins, Development and Current State*. Cheltenham: Edward Elgar, 2005. Chapter 11, 614-659.
- †Barro, R. and X. Sala-i-Martin. 1992. Convergence. *Journal of Political Economy* 100(2): 223-251.
- †Pritchett, L. 1997. Divergence, Big Time. *Journal of Economic Perspectives* 11(3): 3-17.
- Quah, D. 1993. Galton's Fallacy and Tests of the Convergence Hypothesis *Scandinavian Journal of Economics* 95(4): 427-443.

#### • CONTEMPORARY TOPIC: GROWTH EMPIRICS

- Sala-i-Martin, X. 1997. I Just Ran Two Million Regressions. *American Economic Review* 87(2): 178-183.
- Mankiw, G., Romer, D., and D. Weil. 1992. A Contribution to the Empirics of Economic Growth. *Quarterly Journal of Economics* 107(2): 1072-1085.
- Levine, R. and D. Renelt. 1992. A Sensitivity Analysis of Cross-Country Growth Regressions. *American Economic Review* 82(4): 942-963.
- Durlauf, S., Johnson, P., and J. Temple. 2005. Growth Econometrics. (in Aghion, P. and S. Durlauf (Eds.) 2005. *Handbook of Economic Growth*, Elsevier, Edition 1, Volume 1, Chapter 8.)

## Week 10 - 05 November 2012

### What about Money? (Friedman)

- BACKGROUND / OVERVIEWS

- †Snowdon, B. and H. Vane. *Modern Macroeconomics: Its Origins, Development and Current State*. Cheltenham: Edward Elgar, 2005. Chapter 4, 163-187, 192-197.

- SOURCE (AND OTHER) ARTICLES

- †Friedman, M. 1956. The Quantity Theory of Money - A Restatement. (in *Studies in the Quantity Theory of Money*, Chicago: University of Chicago Press.)
- †Friedman, M. 1968. The Role of Monetary Policy. *American Economic Review* 58(1): 1-17.
- Friedman, M. and A. Schwartz. *A Monetary History of the United States, 1867-1960*. Princeton: Princeton University Press, 1963. Chapter 13, 673-700.

- NOBELPRIZE.ORG RESOURCES

- "Milton Friedman - Prize Lecture: Inflation and Unemployment."

- INTERVIEWS / BIOGRAPHIES

- †Snowdon, B. and H. Vane. *Modern Macroeconomics: Its Origins, Development and Current State*. Cheltenham: Edward Elgar, 2005. 198-218. (Interview with Milton Friedman)

- CONTEMPORARY TOPIC: QUANTITATIVE EASING

- †Lee, T. "Milton Friedman on the Case for QE3." *Forbes*. 14 September 2012.
- †"Monetary Policy: Re-thinking Macro." *The Economist*. 26 July 2012.
- †Wessel, D. "Channeling Milton Friedman." *The Wall Street Journal*. 28 October 2010.
- †O'Brien, M. "What GOP Economists Don't Understand About Milton Friedman." *The Atlantic*. 13 March 2012.
- †Rajan, R. "Why Monetary Policy is the Only Game in Town." *Economics Blog (The Guardian)*. 19 October 2012.
- (What is Quantitative Easing? Check out these links for a refresher on QE.)
  - \* "QE3: What is Quantitative Easing? And Will it Help the Economy?" *The Washington Post*. 13 September 2012.
  - \* "Quantitative Easing." *The Economist*. 26 September 2012.
  - \* "How Quantitative Easing Works." *The Wall Street Journal*. 14 September 2012.

## Week 11 - 12 November 2012

### What's Old is New Again: New Classical Macroeconomics (Lucas, Sargent, and Sims)

- BACKGROUND / OVERVIEWS

- †Snowdon, B. and H. Vane. *Modern Macroeconomics: Its Origins, Development and Current State*. Cheltenham: Edward Elgar, 2005. Chapter 5, 219-271.
- †Karier, Thomas. *Intellectual Capital: Forty Years of the Nobel Prize in Economics*. New York: Cambridge University Press, 2010. 155-159.

- SOURCE (AND OTHER) ARTICLES

- Lucas, R. Econometric Policy Evaluation: A Critique. (in *The Phillips Curve and Labor Markets*. Amsterdam: North Holland, 1976.)
- Lucas, R. 1972. Expectations and the Neutrality of Money. *Journal of Economic Theory* 4: 103-124.
- Lucas, R. 1973. Some International Evidence on Output-Inflation Tradeoffs. *American Economic Review* 63(3): 326-334.
- Sargent, T. and N. Wallace. 1976. Rational Expectations and the Theory of Economic Policy. *Journal of Monetary Economics* 2: 169-183.
- NOBELPRIZE.ORG RESOURCES
  - †"Thomas J. Sargent - Prize Lecture: United States Then, Europe Now."
  - †"Christopher A. Sims - Prize Lecture: Statistical Modeling of Monetary Policy and its Effects."
  - "Robert E. Lucas, Jr. - Prize Lecture: Monetary Neutrality."
- INTERVIEWS / BIOGRAPHIES
  - Snowdon, B. and H. Vane. *Modern Macroeconomics: Its Origins, Development and Current State*. Cheltenham: Edward Elgar, 2005. 272-293. (Interview with Robert Lucas)
  - Breit, W. and B. Hirsch. *Lives of the Laureates: Twenty-three Nobel Economists*. Cambridge: MIT Press, 2009. 273-297. (Robert Lucas)
- CONTEMPORARY TOPIC: THE EURO CRISIS
  - †Sims, C. 2012. Gaps in the Institutional Structure of the Euro Area. Banque de France. Financial Stability Review April 2012, No. 16.
  - †Sims, C. 1999. The Precarious Fiscal Foundations of EMU. De Nederlandsche Bank. DNB Staff Reports 1999, No. 34.
  - †"Game Change?" *The Economist*. 15 September 2012.
  - †"Can Europe be Saved?" *The New York Times*. 12 January 2011.
  - "IMF Calls on Eurozone to Take Determined Action in Response to Crisis." *IMF Survey Magazine*. 18 July 2012.
  - "European Fiscal Union: What is It? Does it Work? And Are There Really 'No Alternatives'?" IZA: Forschungsinstitut zur Zukunft der Arbeit. March 2012.
  - "Towards a True Fiscal Union?" *Debating Europe*.

## 0.1 - 19 November 2012: Thanksgiving Break -

### Week 12 – 26 November 2012

#### What About the Rest of the World? (International Issues) (Ohlin, Meade, Krugman, and Mundell)

- BACKGROUND / OVERVIEWS
  - †Karier, Thomas. *Intellectual Capital: Forty Years of the Nobel Prize in Economics*. New York: Cambridge University Press, 2010. 245-259.
- NOBELPRIZE.ORG RESOURCES
  - †"Bertil Ohlin - Prize Lecture: 1933 and 1977 - Some Expansion Policy Problems in Cases of Unbalanced Domestic and International Economic Relations."
  - †"James E. Meade - Prize Lecture: The Meaning of Internal Balance."
  - †"Paul Krugman - Prize Lecture: The Increasing Returns Revolution in Trade and Geography."
  - †"Robert A. Mundell - Prize Lecture: A Reconsideration of the Twentieth Century."
- CONTEMPORARY TOPIC: STUDENTS' CHOICE!

## Week 13 - 03 December 2012

### What About the Rest of the Rest of the World? (Development) (Sen and Yunus; Schultz, Lewis, and Myrdal)

- BACKGROUND / OVERVIEWS

- †Karier, Thomas. *Intellectual Capital: Forty Years of the Nobel Prize in Economics*. New York: Cambridge University Press, 2010. 48-52; 151-154; 236-245.
- †"Grameen Bank - Documentary." Nobelprize.org.

- SOURCE (AND OTHER) ARTICLES

- †Yunus, M. 2010. Building Social Business Models: Lessons from the Grameen Experience. *Long Range Planning* 43: 308-325.
- †Yunus, M. 2009. Economic Security for a World in Crisis. *World Policy Journal* 26(2): 5-12.
- †Sen, A. 1997. Hunger in the Contemporary World. LSE STICERD Research paper No. DEDPS 08.
- Sen, A. *Poverty and Famines: An Essay on Entitlement and Deprivation*. New York: The Clarendon Press, Oxford University Press, 1981.

- NOBELPRIZE.ORG RESOURCES

- †"Theodore W. Schultz - Prize Lecture: The Economics of Being Poor."
- †"Muhammad Yunus - Nobel Lecture."
- "Gunnar Myrdal - Prize Lecture: The Equality Issue in World Development."
- "Sir Arthur Lewis - Prize Lecture: The Slowing Down of the Engine of Growth."

- INTERVIEWS / BIOGRAPHIES

- Breit, W. and B. Hirsch. *Lives of the Laureates: Twenty-three Nobel Economists*. Cambridge: MIT Press, 2009. 1-16. (Arthur Lewis)

- CONTEMPORARY TOPIC: MICROFINANCE AND MICROCREDIT

- Overviews, Developments, and Case Studies
  - \* †"The Promise of Microfinance for Poverty Relief in the Developing World." Proquest CSA Discovery Guides. May 2007.
  - \* †"Measuring the Impact of Microfinance: Taking Stock of What We Know." Grameen Foundation USA Publication Series. December 2005.
  - \* †"Measuring the Impact of Microfinance in Hyderabad, India." Poverty Action Lab.
  - \* †"The Limits of Microcredit - A Bangladesh Case." Food First. Winter 2008.
  - \* †"Vittana Applies the Kiva Model to help Finance Education in Developing Countries." Tech Crunch. 15 March 2010.
  - \* Also check out the website for the International Year of Microcredit 2005 (<http://www.yearofmicrocredit.org>).
- Criticisms:
  - \* †"The Illusion of Poverty-Reduction." Red Pepper. September 2010.
  - \* †"Banks Make Big Profits from Tiny Loans." New York Times. 13 April 2010.
  - \* †"Yunus Blasts Compartamos." Bloomberg Businessweek Magazine. 12 December 2007.
  - \* †"India's Micro-Finance Suicide Epidemic." BBC. 16 December 2010. (Also check out the "Related Stories".)

- \* Westover, J. 2008. The Record of Microfinance: The Effectiveness / Ineffectiveness of Microfinance Programs as a Means of Alleviating Poverty. *Electronic Journal of Sociology*.
- \* "The Micro-Credit Cult." The Free Market. November 1995.
- Other Articles
  - \* Kowalik, M. and D. Martinez-Miera. 2010. The Creditworthiness of the Poor: A Model of the Grameen Bank. Federal Reserve Bank of Kansas City RWP 10-11.
  - \* Leach, F. and S. Sitaram. 2002. Microfinance and Women's Empowerment: A Lesson from India. *Development in Practice* 12(5): 575-588.

## 0.2 Week 14 - 10 December 2012

### (Lessons From?) Economic History (Fogel and North)

- BACKGROUND / OVERVIEWS

- †Karier, Thomas. *Intellectual Capital: Forty Years of the Nobel Prize in Economics*. New York: Cambridge University Press, 2010. 173-178; 284-295.

- SOURCE (AND OTHER) ARTICLES

- †North, D. 1991. Institutions. *Journal of Economic Perspectives* 5(1): 97-112.
- North, D. *Institutions, Institutional Change and Economic Performance*. Cambridge: Cambridge University Press, 1990.
- North, D. *Structure and Change in Economic History*. New York: Norton, 1981.
- †Fogel, R. and S. Engerman. 1977. Explaining the Relative Efficiency of Slave Agriculture in the Antebellum South. *American Economic Review* 67(3), 275-296.
- †Fogel, R. 1975. Three Phases of Cliometrics Research on Slavery and its Aftermath. *American Economic Review* 65(2): 37-46.
- Fogel, R. *Railroads and American Economic Growth: Essays in Econometric History*. Baltimore: Johns Hopkins Press, 1964.
- Fogel, R. *Time on the Cross: The Economics of American Negro Slavery*. New York: Norton, 1974.
- Fogel, R. *Without Consent of Contract: The Rise and Fall of American Slavery*. New York: Norton, 1994.

- NOBELPRIZE.ORG RESOURCES

- †"Robert William Fogel - Prize Lecture: Economic Growth, Population Theory, and Physiology: The Bearing of Long-Term Processes on the Making of Economic Policy."
- †"Douglass C. North - Prize Lecture: Economic Performance through Time."
- "Simon Kuznets - Prize Lecture: Modern Economic Growth: Findings and Reflections."

- INTERVIEWS / BIOGRAPHIES

- †Horn, K. *Roads to Wisdom: Conversations with Ten Nobel Laureates in Economics*. Edward Elgar, 2009. 153-173. (Douglass North)
- Breit, W. and B. Hirsch. *Lives of the Laureates: Twenty-three Nobel Economists*. Cambridge: MIT Press, 2009. 209-222. (Douglass North)

## Since We Only Get 14 Weeks... Check Back Next Year!

The RBC School (Phelps, Kydland, and Prescott)

Topics in Applied Micro (Becker)

Search and Matching (Diamond, Mortensen, and Pissarides)

General Equilibrium (Allais, Debreu, and Leontief)

Metrics and Probability (Engle, Granger, Heckman, McFadden, Haavelmo, Kantorovich, Koopmans)

Macro Metrics (Klein and Stone)

Finance (Merton, Scholes, Markowitz, Miller, and Sharpe)