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:**
  
  
  
  
  
  
  - 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:**


Lecture Attendance and Class Policies

Class meetings are Mondays (1330-1620) in Gray 306. Since our seminar meets only once a week, it is 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:

<table>
<thead>
<tr>
<th>Description</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Presentations</td>
<td>40%</td>
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<tr>
<td>Writing Assignments</td>
<td>30%</td>
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<tr>
<td>Class Discussions</td>
<td>25%</td>
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<tr>
<td>Mandatory Assessment</td>
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<td><strong>Total</strong></td>
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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?
- 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**

- **Source (and Other) Articles**

- **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?**

– (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**

- **Source (and Other) Articles**

– (For Fun) The Road to Serfdom in Cartoons

- **Nobelprize.org Resources**
  – "Friedrich August von Hayek - Prize Lecture: The Pretence of Knowledge."

- **Interviews / Biographies**

- **Contemporary Topic: Health Care**


**Week 03 - 17 September 2012**

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

**• BACKGROUND / OVERVIEWS**


**• SOURCE (AND OTHER) ARTICLES**


**• NOBELPRIZE.ORG RESOURCES**


**• INTERVIEWS / BIOGRAPHIES**


**• CONTEMPORARY TOPIC: STRATEGIC VOTING**


Week 04 - 24 September 2012

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

• Background / Overviews

• Source (and Other) Articles

• Nobelprize.org Resources
  – "John C. Harsanyi - Prize Lecture: Games with Incomplete Information."

• Interviews / Biographies

• Contemporary Topic: The Rational Design of International Institutions
Week 5 - 01 October 2012

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

- **Background / Overviews**

- **Source (and Other) Articles**

- **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**

- **Contemporary Topic: Teacher Pay and Student Performance**
Week 6 - 08 October 2012

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

- **Background / Overviews**

- **Source (and Other) Articles**

- **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**

- **Source (and Other) Articles / Contemporary Topic: Economic Governance and Institutions**

**NobelPrize.org Resources**

- "Ronald H. Coase - Prize Lecture: The Institutional Structure of Production."
- †"Oliver E. Williamson - Prize Lecture: Transaction Cost Economics: The Natural Progression."

**Interviews / Biographies**


**Week 8 - 22 October 2012**

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

**Background / Overviews**


**Source (and Other) Articles / NobelPrize.org Resources**

- †"James A. Mirrlees - Prize Lecture: Information and Incentives: The Economics of Carrots and Sticks."

**Contemporary Topic: Let’s Tax Tall People!**

Week 9 - 29 October 2012

Theories of Economic Growth (Samuelson and Solow)

• Background / Overviews

• Source (and other) articles

• Nobelprize.org Resources
  – "Paul A. Samuelson - Prize Lecture: Maximum Principles in Analytical Economics."
  – "Robert M. Solow - Prize Lecture: Growth Theory and After."

• Interviews / Biographies

• Contemporary Topic: The Convergence Debate

• Contemporary Topic: Growth Empirics
Week 10 - 05 November 2012

What about Money? (Friedman)

• Background / Overviews

• Source (and Other) Articles

• Nobelprize.org Resources
  – "Milton Friedman - Prize Lecture: Inflation and Unemployment."

• Interviews / Biographies

• Contemporary Topic: Quantitative Easing
  – (What is Quantitative Easing? Check out these links for a refresher on QE.)
    * "Quantitative Easing." The Economist. 26 September 2012.

Week 11 - 12 November 2012

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

• Background / Overviews

• Source (and Other) Articles

**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**


**Contemporary Topic: The Euro Crisis**

– †"Game Change?" The Economist. 15 September 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**


**Nobelprize.org Resources**

– †"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

• Source (and Other) Articles

• 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."

• Interviews / Biographies

• Contemporary Topic: Microfinance and Microcredit
  - Overviews, Developments, and Case Studies
    - "Measuring the Impact of Microfinance in Hyderabad, India." Poverty Action Lab.
    - "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:
    - "India’s Micro-Finance Suicide Epidemic." BBC. 16 December 2010. (Also check out the "Related Stories").


Other Articles


0.2 Week 14 - 10 December 2012

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

**Background / Overviews**


**Source (and Other) Articles**


**Nobelprize.org Resources**


Douglass C. North - Prize Lecture: Economic Performance through Time.

Simon Kuznets - Prize Lecture: Modern Economic Growth: Findings and Reflections.

**Interviews / Biographies**


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)