

Fall Term, 1994

Benjamin M. Friedman

BPEA.

Course Information

Economics 1480 is an inquiry into the social and political consequences of economic growth, in the sense of sustained increase over time in per capita standards of living. The central question under discussion is whether -- and if so, under what conditions -- rising living standards lead a society toward openness of opportunity, social mobility, tolerance of diversity, inclusiveness with respect to potentially marginalized groups, commitment to fairness, democratic political institutions, and other related characteristics of free societies. Is economic growth simply a matter of ever greater material well-being, or is there a moral dimension too? And what implications follow for important public policy issues? The material covered in the course includes economic theory and evidence as well as ideas drawn from philosophical, historical and literary perspectives on these questions.

The nature of the course is that of a frankly speculative inquiry, rather than an exposition of solidly established ideas. The object is not so much to absorb specific concepts and facts -- although these are important too -- but to learn how to think about a set of highly important but very difficult problems. Class size is limited in order to admit discussion, and in writing their papers students are encouraged to develop their own views on the issues raised in the course.

Prerequisite: Intermediate micro- and macroeconomics.

- Requirements:
- (1) A 10-15 page paper, due November 7, focused on the economic and/or psychological concepts covered in the first parts of the course.
 - (2) A 10-15 page paper, due December 5, relating any one of a group of major works of fiction (list to be distributed) to the issues discussed in the course.
 - (3) A 20-30 page paper, due January 18, on an aspect of the course material to be chosen by the student and approved by Professor Friedman.

Course Meetings: Lectures at 10:00 each Monday and Wednesday.

Discussion sessions (also at 10:00) on some Fridays, to be announced in advance.

Office Hours: Mondays, 3:45-5:30, in Littauer 127.

Students should feel free to visit during office hours, or to make additional appointments if office hours are insufficient. One-on-one conversation is an important part of the learning process -- for both students and professors.

ECONOMICS 1480: MORAL CONSEQUENCES OF ECONOMIC GROWTH

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Reading List

I. Introduction: Some History of Ideas

- Albert Hirschman, Rival Views of Market Society (1986), Ch. 5.
Daniel Bell, The Cultural Contradictions of Capitalism (1976), Ch. 6.
Christopher Lasch, The True and Only Heaven: Progress and Its Critics (1991), Ch. 2.
Robert Nisbet, History of the Idea of Progress (1980), Ch. 6.

II. Enlightenment Views of the Moral Society

- John Stuart Mill, On Liberty (in Mill, Three Essays, Oxford 1975), pp. 12-18, 22-31, 45-51, 65-68, 92-104.
John Locke, A Letter Concerning Toleration (Hackett, 1983), 23-36.
Isaiah Berlin, Four Essays on Liberty (1969), pp. 118-131, 167-172.
Michael Sandel, Liberalism and Its Critics (1984), pp. 1-11.

III. Linking Economic Conditions and Social Attitudes: Economic Concepts

- Joseph Stiglitz, Economics (1993), Ch. 5, 8.
James Duesenberry, Income, Saving, and the Theory of Consumer Behavior (1949), Ch. 3.
George Stigler and Gary Becker, "De Gustibus Non Est Disputandum." American Economic Review (March, 1977).
Gregory Mankiw, Macroeconomics (1994), Ch. 4.
Richard Easterlin, Birth and Fortune (1987), Ch. 1, 2, 6.
Gary Becker and Nigel Tomes, "Human Capital and the Rise and Fall of Families." Journal of Labor Economics (July, 1986, Supplement).

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IV. Linking Economic Conditions and Social Attitudes: Psychological Concepts

- Robert Frank, Choosing the Right Pond (1985), Ch. 1-3.
George Loewenstein and Jon Elster, Choice Over Time (1992), Ch. 9.
Daniel Kahneman, Jack Knetsch and Richard Thaler, "The Endowment Effect, Loss Aversion, and Status Quo Bias." Journal of Economic Perspectives (Winter, 1991).
Amos Tversky and Daniel Kahneman, "Loss Aversion in Riskless Choice: A Reference-Dependent Model." Quarterly Journal of Economics, November, 1991.
Daniel Kahneman, Jack Knetsch and Richard Thaler, "Fairness as a Constraint on Profit Seeking: Entitlements in the Market." American Economic Review (September, 1986).
Robert Inglehart, The Silent Revolution (1980), Ch. 2.

V. Views of the American Experience

- Alexis de Tocqueville, Democracy in America, Vol. 2 (Vintage, 1990), pp. 33-34, 125-133, 136-142, 148-167, 177-185, 189-191, 287-288.
Russell Conwell, Acres of Diamonds (Harper, 1915), pp. 3-59.
David Potter, People of Plenty (1954), Ch. 3-5.
Louis Hartz, The Liberal Tradition in America (1955), Ch. 8, 9.
Gordon Wood, The Radicalism of the American Revolution (1992), Ch. 13, 18, 19.

VI. Perspectives on Economic Development

- Albert Hirschman, "The Changing Tolerance for Income Inequality in the Course of Economic Development." Quarterly Journal of Economics (November, 1973).
Albert Hirschman, "Social Conflicts as Pillars of Democracy." Mimeo (1994).
John Helliiwell, "Empirical Linkages Between Democracy and Economic Growth." British Journal of Political Science (April, 1994).
Alberto Alesina and Roberto Perotti, "The Political Economy of Growth: A Critical Survey of the Recent Literature." Mimeo (1993).
Samuel Huntington, Political Order in Changing Societies (1968), Ch. 1.

VII. Evidence on Income Distribution and Social Mobility

Simon Kuznets, "Economic Growth and Income Inequality." American Economics Review (March, 1955).

Stephen Thernstrom, The Other Bostonians (1973), Ch. 2-4, 9.

Hartmut Kaelble, "Eras of Social Mobility in 19th and 20th Century Europe." Journal of Social History (Spring, 1984).

Robert Erikson and John Goldthorpe, The Constant Flux: A Study of Class Mobility in Industrial Societies (1992), Ch. 1, 11.

David Cutler and Laurence Katz, "Macroeconomic Performance and the Disadvantaged." Brookings Papers on Economic Activity (No. 2, 1991).

Gary Solon, "Intergenerational Income Mobility in the United States." American Economic Review (June, 1992).

VIII. Implications for Current Policy Issues

Joseph Stiglitz, Economics (1993), Ch. 23.

Robert Lane, "The Politics of Consensus in an Age of Affluence." American Political Science Review (December, 1965).

Benjamin Friedman, Day of Reckoning (1988), Ch. 1, 2, 8.

Peter Peterson, Facing Up (1993), Ch. 1, 8.

Richard Zeckhauser, "The Risks of Growth." Daedalus (Fall, 1973).

Robert Solow, "Sustainability: An Economist's Perspective." Dorfman and Dorfman (eds.), Economics of the Environment (1993), Ch. 11.

David Ellwood, Poor Support (1988), Ch. 2, 7.