

MASTER OF LIBERAL ARTS

60643

Economic Controversies

Spring 2018

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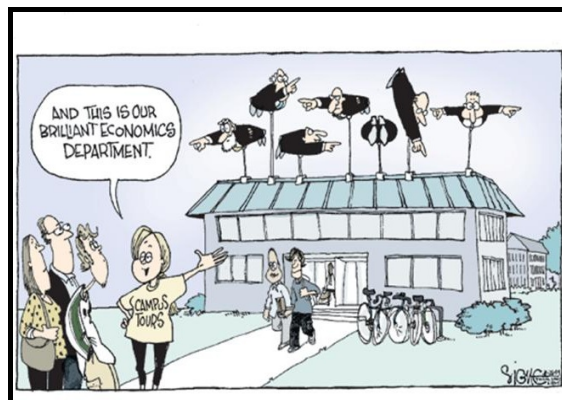
DESCRIPTION: The ignorance surrounding economic issues in our country is frightening. One regularly sees misstatements in the press regarding such important concepts as Social Security, the national debt and deficit, unemployment, the business cycle, the stock market, and inflation. The goal of this course is to explain these and other economic phenomena in clear terms that the non-economist can easily understand.

COURSE OBJECTIVES: After the course, the student should be able to explain the basics of the business cycle, identify the differences between a private and the federal budget, know how to avoid the fallacy of composition in analyzing Social Security and inflation, and in general understand how to use solid economic reasoning to correctly identify the key issues in economic controversies facing our country.

LEARNING OUTCOMES: By the end of the semester, the student should:

1. recognize the importance of systematic analysis based on logic and reason (rather than sound bites and slogans);
2. understand the need to set models into appropriate historical and institutional contexts in order to arrive at cogent conclusions;
3. avoid the fallacy of composition in analyzing economic issues.

TEXT: None, all readings are available online.



REQUIREMENTS: Each student will have three in-class opportunities to demonstrate their understanding of the course material, plus homework. The relative weights are as follows:

Homework	20 points
First exam	25 points
Second exam	25 points
Final exam	<u>+30 points</u>
	100 points

Grades will be assigned as follows (D's are not assigned in the MLA program):

100 to 89.5 points	A (Exceptional)
89.4 to 79.5 points	B (Superior)
79.4 to 69.5 points	C (Medium)
69.4 or less	F (Failure)

FINALEXAM: The final is be administered during finals week on our regular day at our regular time.

PICTURE DAY: By golly gosh, you are paying a lot of money to come to TCU (well, someone is)—you deserve to have your professors know your name! So I'll be taking all your pictures (to which you'll add your names later) so that I can study, study, study. By exam one I should know everyone's name AND which face it goes with!

PROCEDURES FOR STUDENTS WITH DISABILITIES:

Texas Christian University complies with the Americans With Disabilities Act and with Section 504 of the Rehabilitation Act of 1973 regarding students with disabilities. No otherwise qualified individual shall be denied access to or participation in the services, programs and activities of TCU solely on the basis of a disability. The University shall provide reasonable accommodations for each eligible student who (a) has a physical or mental impairment that substantially limits a major life activity, (b) has a record or history of such an impairment, or (c) is regarded as having such an impairment.

Each eligible student is responsible for presenting relevant, verifiable, professional documentation and/or assessment reports to the Coordinator for Students with Disabilities. Information concerning a student's disability is treated in a confidential manner in accordance with University policies as well as applicable federal and state laws. Documentation presented to the Coordinator shall be reviewed by appropriate University professional(s) to verify the existence of a disability. Further documentation may be required from the student to substantiate the claim of a disability or to assist the University in determining appropriate accommodations.

Eligible students seeking accommodations should contact the Coordinator as soon as possible in the academic term for which they are seeking accommodations. The Coordinator shall prepare letters to appropriate faculty members concerning specific, reasonable academic adjustments for the

students. The student is responsible for delivering accommodations letters, conferring with faculty members, and returning validation of the receipt of information to the Coordinator. The Coordinator shall consult with the student and with University faculty and staff to ensure delivery of appropriate support services and shall serve as liaison between the student and the faculty member as needed.

Students who wish to appeal a decision regarding appropriate accommodations shall do so in writing to the Affirmative Action Officer, who shall decide the appeal. The Affirmative Action Officer's decision may be appealed within 7 calendar days in writing to the Provost, whose decision may be

appealed in writing within 7 calendar days directed to the Chancellor. At any step during such an appeal, the person deciding the appeal may confidentially consult with appropriate professionals/advisors within or outside the University.

The Coordinator for Students with Disabilities may be

contacted at the Center for Academic Services, Texas Christian University, TCU Box 297710, Fort Worth, Texas 76129, (817) 257-7486.



ACADEMIC HONESTY: I do my utmost to see to it that those who are studying hard in my course get full credit for their work and that they are not cheated by classmates. I do this primarily by removing temptation and closely monitoring all exams. However, in the event that my vigilance is not sufficient and a case of academic dishonesty does come to my attention, I give my word to the honest members of the class that the offending party will be penalized as outlined by University policy. Speaking of the latter, here is the official TCU statement:

Academic Misconduct (Sec. 3.4 from the Student Handbook) – Any act that violates the academic integrity of the institution is considered academic misconduct. The procedures used to resolve suspected acts of academic misconduct are available in the offices of Academic Deans and the Office of Campus Life. Specific examples include, but are not limited to:

- *Cheating: Copying from another student’s test paper, laboratory report, other report, or computer files and listings; Using, during any academic exercise, material and/or devices not authorized by the person in charge of the test; Collaborating with or seeking aid from another student during a test or laboratory without permission; Knowingly using, buying, selling, stealing, transporting, or soliciting in its entirety or in part, the contents of a test or other assignment unauthorized for release; Substituting for another student or permitting another student to substitute for oneself;*
- *Plagiarism: The appropriation, theft, purchase or obtaining by any means another’s work, and the unacknowledged submission or incorporation of that work as one’s own offered for credit. Appropriation includes the quoting or paraphrasing of another’s work without giving credit therefore.*
- *Collusion: The unauthorized collaboration with another in preparing work offered for credit.*

Students are not the only ones who should be held to a moral standard in the process of determining course grades. It is equally vital to the integrity of the course that the instructor maintain the highest

level of honesty. I promise everyone that, first, no student will have a grade changed simply because they made inquiries regarding my evaluation. Nor will someone in our class receive a higher grade on the basis of "need" (to keep a scholarship, to stay in school, to receive Economics credit, to not be killed by parents, etc.). If those are to be criteria for the determination of grades, then they should appear in the syllabus as assignments. Furthermore, the exams will be graded blindly (i.e., no names) and, at the end of the semester, the one and only place I will look to calculate students' grades will be their cumulative performance on the tests. The standard I will apply in determining letter grades absolutely will be the one listed above, and **I promise that it will be the same for everyone.** Finally, I feel very strongly that it is each student's right to understand how their grade was determined, and I am always happy to fully explain any questions you may have.

CLASSROOM ETIQUETTE: In my experience, most students already know exactly how to conduct themselves in a college classroom. Unfortunately, however, a steady deterioration in the level of civility and manners is a trend at universities across the nation (including here at TCU). For that reason, I have taken the reluctant step of requiring all students to sign an agreement regarding appropriate classroom behavior. Please read it carefully as I will be taking it very seriously. Despite mentioning this every semester, I'm afraid that there are still people who don't understand how terribly distracting their conversations are to the rest of us. PLEASE don't create an incident. Instructors are, by the way, empowered to have disruptive students dropped from the class. I will also be signing one for you, of which you will receive a copy. Remember—everyone pays the same tuition and has the right to be able to concentrate on the lecture. Please let me know if anyone is distracting you.

GRADING ON IMPROVEMENT (exams only):

I have always thought it fair to raise a student's grade when she showed significant improvement over the course of the semester. However, I am very uncomfortable with arbitrarily determining the bonus. Oh happy day! I have come up with a formula to use in this regard! Get out your calculator...

First off, because it is cumulative and will reflect your knowledge of **all** the course material, improvement is linked to your final exam score. To determine your *improvement bonus* first convert all your scores into percentages (e.g., 90% instead of 22.5/25). Then subtract your lower of your first two exam scores from your final exam percentage and divide that total by 10. That is your bonus, and it will be added to your course total. Note that theoretically the bonus can vary from 10 percentage points (with a 100% on the final and a 0% on either exam one or exam two) to 0 (with a final exam score that does not exceed your lowest score). There is no risk to this bonus—at worst, I add a zero to your course grade.

INSTRUCTOR QUALIFICATIONS:

- B.A. Economics and Political Science, U. of Tennessee 1983.
- M.A. Economics, U. of Tennessee 1986.
- Ph.D. Economics (international, macroeconomics, history of economics), U. of Tennessee 1987.

Qualifications: I have taught economics at TCU since 1987, during which time I have served as department chair, Executive Director of the *International Confederation of Associations for Pluralism in Economics*, a member of the board of directors of the *Association for Evolutionary Economics*, and a member of the editorial boards of the *American Review of Political Economy*, the *Critique of Political Economy*, the *Encyclopedia of Political Economy*, the *Journal of Economic Issues*, and the *Social Science Journal*. My research consists of over thirty refereed publications, two edited volumes, and one book (with another in process). I also have a blog at Forbes.com entitled *Pragmatic Economics*. My research specialties are macroeconomic policy and

exchange rates. Recent papers include:

- “The US business cycle since 1950: A Post-Keynesian explanation,” forthcoming at the **Journal of Keynesian Economics**.
- “Keynes’ Trade Cycle: A System Dynamics Model,” forthcoming, **Journal of Post Keynesian Economics**.
- “United States Business Cycles from 1971 through 2010: A Post Keynesian Explanation,” **Journal of Economic Issues**, vol.45, no.2, pp.381-390.
- “Student Attitudes Toward Economic Pluralism: Survey-Based Evidence,” **International Journal of Pluralism and Economics Education**, vol.2, no.3, 2011, pp.270-290.
- “United States Business Cycles from 1971 through 2010: A Post Keynesian Explanation,” **Journal of Economic Issues**, vol.45, no.2, pp.381-390.
- “Modeling Financial Crises: A Schematic Approach,” **Journal of Post Keynesian Economics**, vol.33, no.1, Fall 2010, pp.61-81.
- “Neoliberalism, Neoclassicism, and Economic Welfare,” **Journal of Economic Issues**, vol.44, no 2, June 2010, pp. 359-67.
- “Currency Market Participants' Mental Model and the Collapse of the Dollar: 2001-2008,” **Journal of Economic Issues**, vol.43, no. 4, December 2009, pp.931-949.
- *Currencies, Capital Flows, and Crises: A Post Keynesian Analysis of Exchange Rate Determination*, Routledge, forthcoming (December 2008 in the UK, February 2009 in the US).
- **Future Directions for Heterodox Economics**, University of Michigan Press (co-edited with Robert F. Garnett), 2008.

TCU'S DISCRIMINATION POLICY

TCU prohibits discrimination and harassment based on age, race, color, religion, sex, sexual orientation, gender, gender identity, gender expression, national origin, ethnic origin, disability, predisposing genetic information, covered veteran status, and any other basis protected by law, except as permitted by law. TCU also prohibits unlawful sexual and gender-based harassment and violence, sexual assault, incest, statutory rape, sexual exploitation, intimate partner violence, bullying, stalking, and retaliation. We understand that discrimination, harassment, and sexual violence can undermine students' academic success and we encourage students who have experienced any of these issues to talk to someone about their experience, so they can get the support they need. Review TCU's Policy on Prohibited Discrimination, Harassment and Related Conduct or to file a complaint:
<https://titleix.tcu.edu/title-ix/>.

COMING TO EXAMS LATE: Something that has just started happening recently is people coming to exams late so they can have more time to study. That is your choice, but bear in mind: 1) I will not be able to review anything I have already shared with the class up to that point; 2) your exam still ends at the same time; 3) **if someone has already finished the test and left, you will not be permitted to take the test** (you must take it as a makeup, unless you already need to take a makeup in which case you earn a zero).

TITLE IX AT TCU

As an instructor, one of my responsibilities is to help create a safe learning environment on our campus. It is my goal that you feel able to share information related to your life experiences in classroom discussions, in your written work, and in our one-on-one meetings. I will seek to keep any information you share private to the greatest extent possible. However, I have a mandatory reporting responsibility under TCU policy and federal law and I am required to share any information I receive regarding sexual harassment, discrimination, and related conduct with TCU's Title IX Coordinator. Students can receive confidential support and academic advocacy by contacting TCU's Confidential Advocate in the Campus Advocacy, Resources & Education office at (817) 257-5225 or the Counseling & Mental Health Center at <https://counseling.tcu.edu/> or by calling (817) 257-7863. Alleged violations can be reported to the Title IX Office at <https://titleix.tcu.edu/> or by calling (817) 257-8228. Should you wish to make a confidential report, the Title IX Office will seek to maintain your privacy to the greatest extent possible, but cannot guarantee confidentiality. Reports to law enforcement can be made to the Fort Worth Police Department at 911 for an emergency and (817) 335-4222 for non-emergency or TCU Police at (817) 257-7777.

Note that those who are found by the university to be guilty of violence or harassment face sanctions up to and including expulsion (if a student) and termination (if an employee). Criminal charges may also apply.

Assignment Calendar

Week	Assignment
#1 Jan 16	
#2 Jan 23	Homework #1: Unemployment as a function of GDP
#3 Jan 30	Homework #2: GDP as a function of Physical Investment
#4 Feb 6	Homework #3: Volatility of Stock Market, GDP, and Investment
#5 Feb 13	Exam One
#6 Feb 20	
#7 Feb 27	Homework #4: Ratio of Nonfinancial to Financial Profits
#8 Mar 6	Homework #5 & #6: Deficit versus Interest Rates and Inflation
#9 Mar 20	
#10 Mar 27	Exam Two
#11 Apr 3	
#12 Apr 10	Homework #7 & #8: Trade balance vs. Exchange Rate and GDP
#13 Apr 17	Homework #9: Gas Prices as a function of S&P 500
#14 Apr 24	
#14.5 May 1	(note that signing the behavioral agreement counts as a perfect homework score)
May 8	Final Exam



Course Outline (focal issues in red)

1. Economics Profession
 - a. incentives
 - b. impressing each other
 - c. no contextual courses or research
2. Markets as Tools
 - a. role of private sector
 - b. role of public sector
3. Macroeconomy Basics
 - a. social explanation
 - b. **business cycle**
 - i. investment
 - ii. uncertainty
 - iii. animal spirits
 - c. unemployment
 - d. job creators/output creators
 - e. automatic stabilizers
 - f. historical record
 - i. pre vs post WWII
 - ii. cycles since WWII
4. **Financial Market**
 - a. liquidity vs. allocation
 - b. uncertainty
 - c. animal spirits
 - d. speculation vs enterprise
 - e. Minsky
5. Money Market
 - a. demand for cash
 - i. hoarding
 - ii. loans
 - b. **supply of cash**
 - i. Federal Reserve/r targeting
 - ii. financial system
6. **Inflation**
 - a. printing too much money?
 - i. Weimar Germany
 - ii. Zimbabwe
 - b. redistribution of income ($P=Y$)
 - c. real causes
 - i. demand pull
 - ii. market power
 - iii. nature
 - iv. speculation
7. **The Great Recession**
 - a. systemic factors
 - i. investment
 - ii. panic/animal spirits
 - b. historical factors
 - i. financialization
 - ii. subprime crisis
 - iii. income redistribution
8. **Federal Government Debt and Deficit**
 - a. purpose
 - b. financing
 - i. higher r?
 - ii. burden to grandchildren?
 - iii. default?
 - iv. inflation/depreciation
 - c. sectoral balances
 - d. controlling power
9. Employer of Last Resort
 - a. financing
 - b. training
 - c. predictability
10. International Economics
 - a. **debt to China**
 - b. exchange rates
11. **Social Security**
 - a. mechanics/productivity
 - b. financing, trust fund, & bankruptcy
12. **Health Care**
 - a. market structure basics
 - b. health care industry structure
 - c. private or public?
13. **Gas Prices**
 - a. supply/demand factors
 - b. futures markets
 - c. self-fulfilling prophecy
14. Socialism/Communism/Fascism
 - a. definitions
 - b. differences