

Georgetown University
Economic Theory and Public Policy Problems
Summer 2007

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Office Hours MTWTH 12:00 -2:00 pm (available by office phone at GMU)

I will be also available for students before each class from 6:30 pm to 7:00.

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Objectives From Main Street to Wall Street informed citizens need a clear grasp of economic principles and the workings of a free enterprise economic system. Nowhere is this need more urgent than in America's central cities. While poverty, high unemployment rates, and urban decay directly affect particular segments of the population, indirectly the opportunities for prosperity get diminished for *all* citizens. Functioning as a successful investor, entrepreneur, worker or consumer requires a thorough understanding of how the marketplace "works." Economic science provides the insight and tools through which individuals from every walk of life can pursue their rational goals for personal and societal growth. Whether students ultimately choose to advance to careers in private sector business, public service or charitable and philanthropic organizations, economic knowledge will be a critical part of their future decisions.

The central focus of the lectures and readings in this course surround the process of economic coordination in a free exchange economy. From the basic framework of price theory (supply and demand), a variety of complex market institutions get examined including: banks and the monetary system, profit and loss calculation and accounting, risk and insurance, financial institutions of the primary and secondary capital markets, speculation and futures markets, advertising and marketing principles etc. In addition, the principles of economic theory are extended into "non-traditional" areas including political markets and non-profit organizations. Students will learn how to interpret a range of economic information contained within important publications such as the *Wall Street Journal* or *The Economist*. Finally, students will be able to scientifically analyze the unintended consequences of various public policies.

Grades There are three exams in this course, two 50 minute midterms and a comprehensive final exam. Make-up exams are permitted if the student notifies the instructor *before* the scheduled test or in extraordinary circumstances. All cases of unexcused absences for tests receive a zero. The grading scale is A = 90%-100%; B = 80%-89% etc. In addition, there is one *required* research paper 7 pages in length. The paper guidelines will be handed out before Lecture 3.

Students should discuss the suitability of their paper topic with the instructor before writing.
The course grade is weighted as follows:

Exam 1	20%
Exam 2	20%
Final Exam	30%
Paper	30%

Required Texts

Economics in One Lesson by Henry Hazlitt (HH)
Basic Economics by Thomas Sowell (TS)

In addition, there are a variety of class handouts for this course. These are denoted with an asterisk (*).

Attendance

Regular attendance is absolutely crucial for successful completion of this course. If for any reason regular attendance becomes difficult, please notify the instructor as soon as possible. Finally, I expect students to be on their best behavior while in class. Persistently disruptive students will be removed from the classroom and receive an immediate “F” for the semester.

Honor

This course demands the highest standard of conduct. Cheating or plagiarism is not tolerated in any way. Violation of this code results in an immediate failing grade for the course.

Lecture 1 *Spontaneous Order: Seeing What You Don't See*

(TS) Chapter 1

(HH) Chapters 1-3

(*) Leonard Reed, “I, Pencil”

Lecture 2 *The History of Economic Thought: From Aristotle to Neoclassical Theory*

(TS) Chapters 2-4

(HH) Chapter 15

(*) Hans Sennholz, “The Formation and Function of Prices”

Lecture 3 *The Laws of Supply and Demand: Prices as Information*

(TS) Chapter 5-8

(HH) Chapters 16-19

(*) Hugh Rochoff, “Price Controls”

(*) Walter Block, “Rent Control”

Lecture 4 *The Law of Comparative Advantage: Free Trade and the International Economy*

(TS) Chapters 19-21

(HH) Chapters 11-14

(*) Frederick Bastiat, “The Candlemaker’s Petition”

(*) David Ricardo, “On Foreign Trade”

(*) *The Economist*, “Not So Absolutely Fabulous”

Lecture 5 *The Firm in Competition and Monopoly*

(TS) Chapters 12-14

(*) Hans Sennholz, “The Phantom Called Monopoly”

(*) Fred McChesney, “Antitrust”

(*) Thomas DiLorenzo, “Competition: Except Where Prohibited By Law”

EXAM 1

Lecture 6 *Information Economics*

(*) Julie Defalco, “Defeating Drug Lag”

(*) Percy Greaves, “Why Speculators?”

Lecture 7 *Income Determination and Who Gets What?*

(TS) Chapters 9-11

(HH) Chapters 20-22

(*) W.Kip Viscusi, “Job Safety”

(*) Social Security data

Lecture 8 *Property Rights and the Economics of the Environment*

(*) Richard Stroup, “Environmentalism, Free Market”

(*) Fred Smith, “Risks in the Modern World”

(*) Julian Simon, “Will We Run Out Of Energy?”

EXAM 2

Lecture 9 *Public Goods and Public Choice: The Economics of Politics*

(TS) Chapters 15-18

(*) James Madison, “*Federalist 10 and 51*”

(*) *The Declaration of Independence and the Constitution of the United States*

(*) Robert Nizbet, “Cloaking the State’s Dagger”

Lecture 10 *The Constitution and the Economics of Regulatory 'Takings'*

(TS) Chapters 22-end of book

- (*) James Madison, "Speech on General Welfare and the Spending Power"
- (*) Robert Bearce, "Against All Enemies"
- (*) Clarence Carson, "A Law for Governments"

Lecture 11 *The Quantity Theory of Money and the Macroeconomy*

(HH) Chapters 4-9

- (*) Adam Smith, "The Origin and Use of Money"
- (*) Carl Menger, "The Theory of Money"
- (*) R.A. Radford, "Economic Organization of a P.O.W. Camp"
- (*) Robert Barro, "Money and Inflation"

Lecture 12 *Economic Fluctuations: Hyperinflation and Economic Depressions*

(HH) Chapters 23--25

- (*) Phillip Cagan, "The Monetary Dynamics of Hyperinflation" Data

Lecture 13 *The Economics of Growth*

- (*) *The Economist*, "The Natural Resources Myth"
- (*) *The Index of Economic Freedom*

Final Exam

Paper due