

## Syllabus and Reading List: Thinking Like an Economist

The theory of economics does not furnish a body of settled conclusions immediately applicable to policy. It is a method rather than a doctrine, an apparatus of the mind, a technique for thinking, which helps the possessor to draw correct conclusions.

John Maynard Keynes (1922)

### Course Description:

The philosophy underlying this course is that non-specialists can gain a facility in thinking like an economist without the need to learn elaborate economic theories or complicated mathematical techniques. The course's goal is to equip students with no prior training in economics with the intellectual skills that will enable them to think like an economist about issues that arise in the media and in everyday life. To do so requires applying a combination of rigorous logic, simple analytical tools that economists regularly use, and an understanding of which tool applies in which context. This is what it means to think like an economist.

Economics analyzes and predicts the outcomes generated by groups of interacting individuals, whether it is several friends deciding between Cornerstone and Bentley's or a whole society trying to reduce unemployment. How do economists predict what will happen as individuals make their own decisions and interact with one another? How do economists analyze whether the results are good or bad for the individuals? These are two fundamental questions that the course answers.

The course introduces the student to how economists think by focusing on case studies. The real-world examples—for example, understanding why agricultural policies in Brazil can change gas prices in College Park—motivate the way economists approach their analyses. By deliberating on issues of fundamental interest, students will become acquainted with the methodological tools of economics and see the power that these tools have to produce insightful answers. By applying a variety of tools in practical contexts, students will learn which characteristics of a problem dictate the choice and use of a particular analytical tool.

To develop their understanding, students analyze practical problems individually and in groups and learn how simple analytical tools help them interpret the world in which they live. By seeing the development of the analysis in a variety of case studies and in their own individual and group projects, students will learn how to use the analytical tools of economics in appropriate contexts—that is, to think like an economist.

Teaching assistants: Sections 0101, 0102, 0103: Ami Shrestha  
Sections 0104, 0105, 0106: Alejandro Graziano  
Contact via ELMS.

Time & Location of Lectures: Tuesdays and Thursdays, 2-2:50 PM, JMZ 0220  
Discussion Sections: 1 hour a week, times and locations listed on Testudo.

Peter Murrell office hours: Tuesdays 3:10 to 4:10  
Thursdays 9:30 to 10:30  
and by appointment (schedule via ELMS).

**Course Objectives:**

On completion of ECON 111, students will be able to:

- Make predictions about what outcomes will be generated by groups of interacting individuals in specific real-world situations.
- Analyze the characteristics of the outcomes generated by groups of interacting individuals from a normative perspective.
- Exhibit knowledge of the most common analytical tools that economists use.
- Identify specific situations to which common tools of analysis can be productively applied.
- Identify the characteristics of real-world situations that make each of the tools applicable.
- Show how to use these tools in a context of the student's choosing.
- Identify classes of problems that lead to difficulties when examining empirical relationships.
- Understand how the models and analytical methods of economics can be used to extract causal relationships from data.
- Understand how the varied tools of economic analysis all reflect the application of the core methodological principles of economics.
- Demonstrate how the methods of economics provide a practical way to analyze core problems of everyday life and problems in public policy.

**Prerequisites:** None

**Course Web Site:** <https://myelms.umd.edu/> and then login with your university id and password, and look for "ECON 111" under "Courses & Groups"

**Communication:** To reach Professor Murrell or either TA send a message within ELMS. For consistency and record keeping, we will only respond to messages within ELMS, not to messages to our regular email addresses.

**Required course aids:** None. Numerical problems are all simple; no calculators are needed.

**Attendance policy:**

1. Each student can choose whether to attend lectures or not. Original material will be presented in lectures that is not covered in the readings nor in the lecture notes that will be posted.
2. Participation in discussion sections is rewarded. (See below.)

**Readings:** No textbook is assigned. Readings, videos, and audios are assigned to each topic and have been uploaded to ELMS. See the course outline below for specific details.

**Discussion sections:**

The purpose of the discussion sections is to enable you to ask questions easily about the course material, to facilitate discussion of how the course material is helping you to meet the course objectives, and to allow formal conversations with your fellow students about how and when the analytical methods presented in the course can be applied to real-world phenomena.

**Assessments:**

1. Mid-term exam. Tests breadth of knowledge and understanding on all topics covered in lectures, discussion sections, and readings up to the date of the exam. (See below for date.)
2. Final exam. Tests breadth of knowledge and understanding on all topics covered in lectures, discussion sections, and readings after the mid-term. (See below for date.)
3. General participation in discussion sections. Participation includes asking pertinent questions, contributing actively in general ways, describing situations taken from the news media or everyday life that the class can analyze together, or completing small in-discussion assignments. In the first discussion section, your TA will describe how participation is to be assessed.
4. Pairs of students will lead a 25-minute discussion of a possible answer to one of the self-study questions posed in lectures, which will encompass fellow students asking questions and critiquing the student's approach to answering the question.
5. Each student will write a short paper analyzing an article from the news media that was published (in print or on the web) between June 1<sup>st</sup> 2015 and December 1<sup>st</sup> 2015. The article must be such that the student can use the analytical materials developed in the course to analyze the article. The goal of the paper will be to 'think like an economist' about the article, criticizing or supporting or extending the conclusions reached in the article, using the analytical tools developed in the course. The paper will be graded for accuracy, completeness, written expression, originality, and how well it demonstrates an understanding of the course material. The due date and time for the paper is 4:00pm on the University's official last class day of the semester—Friday December 11<sup>th</sup> 2015. Grades on papers handed in after this time will be reduced by one-third of a letter grade for each 12 hours that the paper is late.

**Interpreting the assignments**

Items 1-2 test individual breadth of knowledge and understanding

Items 3-4 assess the student's contributions to participatory activities

Item 5 examines whether students can use economic analysis to understand real-world problems.

**Contribution of each assessment to the final grade:**

- |   |      |
|---|------|
| 1. Mid-term exam.                                       | 25%  |
| 2. Final exam.  | 25%  |
| 3. General participation in discussion sections.        | 10%  |
| 4. Leading discussion of answer to self-study questions | 15%  |
| 5. Paper.   | 25%. |

For important information on how assessments are administered, please review the detailed elaboration of course policies in the last two pages of this syllabus.

**Notes on readings, videos, and audios:**

1. As you glance below, do not become daunted by the number of items. Most readings and videos/audios are short. Assignments average less than 22 pages of reading a week and less than 16 minutes of video/audio a week.
2. Use the files for the readings, videos, and audios that are posted on ELMS. In many cases, these are either shorter versions of the originals or annotated versions of the originals, to make your studying attuned to the needs of this course. For brevity, the reading list provides the names of the original articles only, which are virtually identical to the names of the files on ELMS. Information on original sources can be found within the ELMS files themselves.

**COURSE OUTLINE**

All dates for the coverage of course sections are approximate. Announcements in class and on ELMS will make clear when we have finished one section of the course and are moving onto another.

**1. September 1****Introduction to the course and its logistics**

Readings Graphs in Economics  
 The Accidental Theorist, *Slate* Jan 23, 1997  
 The Moral Heart of Economics, *NY Times*, Jan 25, 2011

Multimedia Video: Graph Review

**2. September 1 to September 3****Case study: The development of public policy on child seats on airplanes**

*Concepts and techniques*

*Decision-making, theories, models, equilibrium, and counterfactuals*

Readings Unintended Consequences, *Freakonomics*, *NY Times*, Jan 20, 2008  
 Driven to destruction, Tim Harford, *FT*, Feb 2006  
 The Power of Stories Over Statistics, Thomas Newman *BMJ* 2003  
 Pressure Rises For Baby Seat On Airplanes, *NY Times*, Aug 4, 2004  
 Press Release – FAA Announces Decision on Child Safety Seats, FAA 2005  
 The time has come for child seats on airplanes, *USA Today*, Feb 2, 2011

Multimedia Video: Models and Theories  
 Video: Why Model, Scott E. Page  
 Video: Intelligent Citizens of the World, Scott E. Page

**3. September 3 to September 10**

**Case study: global markets for grain and for energy.  
Fundamentals of modeling and theorizing. How to analyze markets.  
How markets work.**

*Concepts and techniques*

*Supply, demand, equilibrium, invisible hand, comparative statics, counterfactual thinking*

## Readings: demand

The Use of Graphs In Economic Analysis, Peter Murrell  
Demand.pdf

Can vegans stomach the unpalatable truth about quinoa?, *The Guardian*, Jan, 2013

## Multimedia: demand

Video: Demand – Economic Lowdown Video Series from FRB of St Louis

## Readings: supply

Supply.pdf

It's OK to eat quinoa *Slate* Jan 2013

## Multimedia: supply

Video: Supply – Economic Lowdown Video Series from FRB of St. Louis

## Readings: equilibrium

The Reality of Markets , Russell Roberts

Supply Demand and Marriage, *NYTimes* Aug 6 2011

US corn ethanol fuels food crisis in developing countries, *Al Jazeera* Oct. 2012

Risks of Cheap Water *NY Times* Oct 2014

1973 oil crisis, *Wikipedia*

## Multimedia: equilibrium

Video: Equilibrium – Economic Lowdown Series from FRB of St. Louis

Video: TED Talk – Employing the invisible hand to reduce traffic jams

**4. September 10 to September 17**

**Case study: global markets for grain and for energy, continued.  
Efficiency, externalities and public policy.  
When markets can be helped. How taxes can help markets work.**

*Concepts and techniques*

*Efficiency, counterfactual thinking, government intervention in functioning of markets, externality, tax*

## Readings

The invisible hand: potatoes and gasoline, *NY Times*, May 25, 2008

When markets do not work well: negative externalities from driving, *Freakonomics*, *NY Times*, April 20, 2008

Taxes to make markets work well, *New Yorker*, Dec 10, 2012

Building a Green Economy, *NY Times*, April 7, 2010

A Modest Proposal To Deregulate Infant Adoptions, Donald Boudreaux

## Multimedia

Video: Externalities

Video: Analysis of the eBay Kidney Auction, MIT Open courseware

**5. September 22 to October 1****Case study: games and the tragedy of the commons***Concepts and techniques**Game theory, Nash equilibrium, prisoner's dilemma, coordination games,*

## Readings

Prisoner's dilemma, *Wikipedia*  
 UMD professor asks cruelest extra credit question ever, *WUSA.com*, July 2015  
 Aquifers: Deep waters, slowly drying up, *The Economist*, Oct 7 2010  
 Debris in space: Flying blind, *The Economist*, Feb 19 2009  
 Lawyers, dispute resolution, and prisoner's dilemma, ECON 111 note  
 Fishing and conservation: A rising tide, *The Economist*, Sep 18 2008  
 Climate Deal Badly Needs a Big Stick, *NYTimes* June 2015  
 How Networking Influences What We Speak, *Freakonomics* June 10 2008

## Multimedia

Video: Prisoner's dilemma and Nash equilibrium, Khan Academy  
 Video: Prisoner's dilemma: Split or Steal Video 1  
 Video: A practical use for game theory, *Economist*, Sept 7 2011  
 Video: Prisoner's dilemma: Split or Steal Video 2

**6. October 1 to October 8****Case study: games over time and economic institutions***Concepts and techniques**Sequential games, backward induction, institutions of contract and property, commitment*

## Readings

Applying game theory to negotiations, ECON 111 note  
 Addicted to your phone? There's help for that. *NY Times*, July 2015.  
 To Prove You're Serious, Burn Some Bridges, *NY Times* Oct 17 2005  
 The stickK dot com tour

## Multimedia

Audio: Save Me From Myself, *Freakonomics Podcast*, *WNYC*, Feb 2 2012

**7. October 13 to October 27****Case Study: Modeling chance events: health statistics***Concepts and techniques**Chance events, conditional distributions, probability, and Bayes rule*

## Readings

Does the NFL have a crime problem, *BBC*, July 8 2013  
 Are you more likely to die on your birthday, *BBC*, June 29 2012  
 Amanda Knox and bad maths in court, *BBC*, April 27 2013  
 Chances Are, *NY Times*, April 25 2010  
 Breast Cancer Screenings - What We Still Don't Know *NYTimes* Dec 2013  
 Universal Mammograms Show We Don't Understand Risk *NY Times*, May 2014.

## Multimedia

Video: Don't Be Fooled By Bad Statistics, Emily Dressler  
 Video: Hans Rosling, Religions and babies, TED Talk  
 Video: The Monty Hall Problem, Ron Clarke

<b>Tuesday, October 20</b>	<b>Completing pre-mid-term course material and/or review for mid-term</b>
<b>Thursday, October 22</b>	<b>MID-TERM EXAM</b> <b>This is a Major Scheduled Grading Event</b>
<b>8. October 29 to November 5</b>	<b>Case study: Making systematic deductions from data: why econometrics is good for your health</b>
<i>Concepts and techniques</i>	<i>Causality, missing variables, reverse causality, selection, natural experiments</i>
Readings	Correlation does not imply causation, <i>Wikipedia</i> Regressions An Economist Obsession, IMF 2012 Natural experiment, <i>Wikipedia</i> Correlation and causality <i>TimHarford.com</i> April 2015 At Voice Charter School in Queens, Students Have Outperformed Their Peers Academically - <i>NYTimes</i> Dec 2014 Why Do Music Students Have Higher SAT Scores, <i>Pacific Standard</i> , May, 2013 Music and Success <i>NYTimes</i> Dec 2013.pdf Alcoholics Anonymous and the Challenge of Evidence-Based Medicine, <i>NYTimes</i> , April 2015
Multimedia	Video: Correlation and Causality, Khan Academy Video: Correlation vs. Causality, <i>Freakonomics</i> Video: Meaningless and meaningful correlations, Open University
<b>9. November 10 to November 17</b>	<b>Modeling the aggregate economy. Case study: getting into the current recession and its effects</b>
<i>Concepts and techniques</i>	<i>GDP, price indexes, national income accounting, Macroeconomic policy, Keynesian and neoclassical macroeconomics</i>
Readings	Measuring Total Output and Income, <i>Principles of Macroeconomics</i> US Economy Grinds To Halt As Nation Realizes Money Just Shared Illusion, <i>Onion</i> Feb 16, 2010 Baby-Sitting the Economy, <i>Slate</i> Aug 1998 Beanie Babies bubble: Economics and psychology of a plush toy investment craze, <i>Slate</i> Feb 2015 Crash course, <i>Economist</i> , Sept 2013 Lending weight, <i>Economist</i> , Sept 2013 The Financial Meltdown Now and Then, <i>Freakonomics</i> May, 2009
Multimedia	Video: Inflation and Price Indexes Video: Real Income Video: Unemployment

- 10. November 19 to December 1**      **Modeling the aggregate economy. Case study: getting out of the current recession and controversies amongst economists**
- Concepts and techniques*      *Fiscal Policy, monetary policy, austerity, zero-lower bound*
- Readings      Monetary Policy and the Economy, The Federal Reserve Board  
Automatic Stabilizers, *The American Prospect*, March 2013  
Controlling interest. *Economist*, Sept 2013  
Sovereign doubts. *Economist*, Sept 2013  
Why do people hate deficits. *Washington Post* April 2013  
No short cuts, *The Economist*, Oct 27th 2012  
How the Case for Austerity Has Crumbled, *NY Review of Books* June 2013  
University of Hard Knocks, *The American Prospect*, Nov 2012
- 11. December 3 to December 8**      **Case Study: Modeling information asymmetry--adverse selection and moral hazard, with applications to insurance**
- Concepts and techniques*      *Information asymmetry, adverse selection, Moral hazard*
- Readings      The lemon dilemma, *Economist*, Oct 2001  
Moral hazard, *Wikipedia*  
Moral Hazard: A Tempest-Tossed Idea, *NY Times* Feb 2012  
Insurance, *The Concise Encyclopedia of Economics*  
For Obamacare to Work, Everyone Must Be In, *NYTimes*, Aug 2013  
The Affordable Care Act, *JAMA Internal Medicine Blog*, May 2014  
Insurance and murder in Liverpool , *Economist*, Sep 2002
- Multimedia      Video: Adverse Selection, Financial Access Initiative  
Video: Moral Hazard, Financial Access Initiative  
Audio: Moral hazard & Sandy relief: Do federal funds invite disaster?  
*WHYY*, Feb 26, 2013
- Thursday, December 10**      **Completing course material and/or review for Final**
- Friday December 11**      **4:00pm. Course paper is due.**  
**Completion by this time is viewed as a Major Scheduled Grading Event.**
- Thursday December 17**      **FINAL EXAM 10:30am-12:30pm**  
**(This is the official time, but exam won't last the full 2 hours.)**  
**This is a Major Scheduled Grading Event**



**Course Policies:**

Please read through this section of the syllabus at the beginning of the semester and refer to it again throughout the semester, particularly in advance of exams and assignment due dates.

Additional notes on assessments:

1. A policy of the Department of Economics on grading requires instructors to use the grading system announced at the beginning of the semester in all cases and with no exceptions. There will be no opportunities for extra credit. (This is an "institution". The logic of institutions will be explained in the course.)
2. University policy regarding the circumstances in which professors are obliged to provide make-up examinations is available online at [www.inform.umd.edu/ugradcat/](http://www.inform.umd.edu/ugradcat/)
3. If you have questions or concerns about a grade awarded for any specific assignment, you should first discuss your questions or concerns with your TA. Then, if you still feel your grade is inappropriate, you can submit a written request for a grade review to Professor Murrell via ELMS. Send an email that describes your concerns in detail. After consultation with the TA, Professor Murrell will then regrade the relevant assignment, taking into account your concerns. This process must be started in a timely fashion so that any formal request for a grade review is submitted within 10 days of the date when grades for that assignment are posted on ELMS.

Disability Support Services: If you have a documented disability that requires academic accommodations for test taking or other needs, please provide your TA with documentation from Disability Support Services (301-314-7682). We are not able to accommodate students who are not registered with DSS or who do not provide the documentation at least one week in advance of exams and deadlines. Complete information about disability support services and accommodations are available online at [www.counseling.umd.edu/DSS/receiving\\_serv.html](http://www.counseling.umd.edu/DSS/receiving_serv.html).

Academic Integrity: The University's code of academic integrity is designed to ensure that the principle of academic honesty is upheld. Any of the following acts, when committed by a student, constitutes academic dishonesty:

- CHEATING: intentionally using or attempting to use unauthorized materials, information, electronic items, or study aids in an academic exercise.
- FABRICATION: intentional and unauthorized falsification or invention of any information or citation in an academic exercise.
- FACILITATING ACADEMIC DISHONESTY: intentionally or knowingly helping or attempting to help another to violate any provision of the University's code of academic integrity.
- PLAGIARISM: intentionally or knowingly representing the words or ideas of another as one's own in any academic exercise.

The Honor Pledge is a statement students are asked to sign on examinations, papers, or other academic assignments. The Pledge reads: *I pledge on my honor that I have not given or received any unauthorized assistance on this assignment/examination.*

The Code of Academic Integrity sets standards for academic integrity at Maryland for all undergraduate and graduate students. Students are responsible for upholding these standards for this course. It is very important for students to be aware of the consequences of cheating, fabrication, facilitation, and plagiarism. For more information on the Code of Academic Integrity or the Student Honor Council, please visit <http://www.shc.umd.edu/SHC/Default.aspx>

Religious Observance

If participating in a religious observance will result in conflicts with completion of compulsory requirements at any time during the semester, please provide your Teaching Assistant with a written list of the dates you will need to be absent before the end of your second discussion section of the semester. We will make certain that you are not disadvantaged because of your absence. University policy regarding religious observance is available online at [www.president.umd.edu/policies/docs/iii\\_510a.pdf](http://www.president.umd.edu/policies/docs/iii_510a.pdf)

Absence Policy:

In accordance with university policy, absences that prevent attendance at a major scheduled grading event will require either (i) written documentation from an appropriate health care provider/organization or (ii) advance notice in writing of a religious observance or University-sanctioned event. Make up exams and extensions of deadlines for writing assignments and oral presentations will be given only when the student has complied with these requirements. If a major scheduled grading event is to be missed for a reason known beforehand, the student must contact his or her Teaching Assistant prior to the scheduled date. If a major scheduled grading event is missed due to unforeseen circumstances on the scheduled date, the student (or family member in extreme circumstances) must contact the Teaching Assistant within 24 hours of the missed exam/deadline. Official documentation of the excuse must be provided. In this course, we will NOT accept a Health Center honor statement to verify illness. If a student misses an exam or assignment deadline for any unauthorized reason, he/she will receive a grade of zero for that exam. For information on the university's absence policy see: <http://www.umd.edu/catalog/index.cfm/show/content.section/c/27/ss/1584/s/1540>.