A. Information about the Instructor

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5. Office Hours: Monday-Wednesday 15:00 – 16:30, or by appointment

B. Course Information

1. E611 Economic Theories (part I)
2. Class meetings will be Mondays and Wednesdays between 16:30 to 17:45 in CA 203, from January 10th to March 2nd, 2011 (except for January 17th)
3. Professor Chakrabarti will take over the second part of the course on March 7th and will supply his own syllabus.
4. Course description:
This course is intended to be a “big picture” course by opposition to a details or techniques course. The objective is to introduce students to a wide variety of ideas on the leading edge of economic thinking. The course is designed to raise many more questions than will be answered, and help launch you into lifelong careers as researchers seeking to better understand and improve how economic activity is organized.

C. Grading:
- A+: if you greatly exceed my expectations, including reading many additional texts even on topics that I had not considered, and suggest path-breaking research ideas and reflections that teach me and other students how to become better economists;
- A: if you exceed my expectations by reading texts that dig deeper into subjects, are fully engaged and well-prepared for all discussions and regularly suggest ideas and reflections that I and other students find useful, enlightening and important;
- B: if you meet my expectations, do all the assigned readings, come to class and participate in all discussions;
- C: if you do the strict minimum you can get away with;
- D or E: if you don’t even do the strict minimum.

There will be no tests or exams.

D. Readings:

The reading list below is intentionally eclectic. The purpose is to expose you to as broad a sample as possible of various strands of economic theorizing.

Once the semester starts, you will likely not have time to read as much as would be useful to get a good grasp of the various topics that we will discuss. Therefore, I ask you to get a head start by reading as much as possible during the break period between the Fall and Spring semesters.

Note: I have included links to Wikipedia biographical sketches of many of the authors mentioned. Some texts are also freely available online. I have included the hyperlink when I was aware of it. You can help me improve this syllabus by sending me additional links that I may have missed.
1) The Rhetoric of Economics

“The fundamental job of the imagination in ordinary life ... is to produce, out of the society we have to live in, a vision of the society we want to live in.”

Northrop Frye (1964) The Educated Imagination

Economists are story-tellers. Economic writings weave morality tales about good and bad behavior. Fiction authors do the same thing, but usually are much more entertaining. If your brain is still numb from trying to stuff it with too much math, I invite you to start living again by reading the following fiction books:

- Charles Dickens (1843) A Christmas Carol [or (1859) A Tale of Two Cities or both if you feel ambitious]
- Emile Zola (1885) Germinal (English translation here) (An apparently better English translation is available in paperback)
- Stephen Leacock (1914) Arcadian Adventures with the Idle Rich
- Antoine de Saint-Exupéry (1946) Le Petit Prince (available in English translation as The Little Prince)
- Kurt Vonnegut (1973) Breakfast of Champions

In addition to literature, another medium for story tellers is theater or cinema. I invite you to watch the following two movies:

- Franco Zeffirelli’s Brother Sun, Sister Moon (1972)
- Gillo Pontecorvo’s The Battle of Algiers (1966)

You don’t need to take notes about the stories in these books or movies, but I will ask you to discuss in class your understanding of the vision of human societies and the economy that these artists had. You should prepare this in advance.

I would also like you to read the following short books:


As you read these and all subsequent books, take copious reading notes. I will ask you to discuss in class what you learned from them.

If you wish to dig deeper into this topic, here is another suggestion to get you thinking:

- D. McCloskey (1994) Knowledge and Persuasion in Economics

Digging even deeper would lead you into epistemology and the philosophy of science. Here are a couple of good applications to economics:

2) Economics as One Piece of the Puzzle

Economists are not the only ones trying to better understand humanity and the world in which we live. I would like you to read some contributions that provide a perspective from other sciences.

From geography:
- **Jared Diamond** (1997) *Guns, Germs, and Steel: the Fates of Human Societies*

From history:
- Harry Thurston (2003), *Island of the Blessed: The Secrets of Egypt’s Everlasting Oasis*
- David Harvey (2007) *A Brief History of Neoliberalism*

From biology:
- **Richard Dawkins** (1976) *The Selfish Gene*

From psychology/cognitive science:

From sociology:
- **Malcolm Gladwell** (2008) *Outliers: The Story of Success*

These are not textbooks, but vulgarization books accessible to the lay reader. They are not necessarily representative of their discipline or starting points for learning these disciplines, or even preeminent examples of what these disciplines can contribute. I put them on this list because they are thought-provoking. Some of these books are also pretty long, so allow ample time to get through them. For each of these, I would like you to note at least one big idea or insight about humanity and societies (more if you encounter more) that should be kept in mind to avoid building useless economic models that do not help us to better understand the world or to improve it. Come to class prepared to share and discuss your reflections.
3) Learning, Teaching and Practicing Economics

“What is ordinarily demanded is that they be “safe,” “sane” economists, having or on the way to acquiring prestige, and usually not the adventurous ones fighting for recognition of new ideas.”

Gunnar Myrdal (1972) Against the Stream

As you begin your apprenticeship into the economics profession, it is only fair that you be warned about what is going to be done to you. The grueling math problems and homework overload serve the same purpose as army boot camps: to deconstruct your brain and reshape it into the brain of a modern economist. A good start is:

- **David Colander** (2007), *The Making of an Economist, Redux*

You will also benefit from the insights of prominent economists who have reflected on their profession and career. Here are a few:

- **Gunnar Myrdal**¹ (1972), *Against The Stream: Critical Essays on Economics*
- **George J. Stigler**² (1982) *The Economist as Preacher and Other Essays*

Depending on the career path you follow, teaching economics may be in your future. Understanding what you are being taught and how may help you to learn.


To begin bridging the distance between acquiring knowledge and creating knowledge, please read:

- **Amy R. Poteete, Marco A. Janssen and Elinor Ostrom**⁴ (2010) *Working Together: Collective Action, the Commons, and Multiple Methods in Practice*

Come to class prepared to share and discuss what you have learned.

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¹ Myrdal: Nobel Memorial Prize in Economic Sciences, 1974
² Stigler: Nobel Memorial Prize in Economic Sciences, 1982
³ Schelling: Nobel Memorial Prize in Economics Sciences, 2005
⁴ Ostrom: Nobel Memorial Prize in Economic Sciences, 2009
4) Happiness

“Create all the happiness you are able to create: remove all the misery you are able to remove.”

Jeremy Bentham (1830)

If economics has any purpose, it is to explore ways to make the world a better place. The most obvious criterion for judging what “better” means is happiness: are people as happy as they could be given the resources available? However, defining and measuring happiness, and designing policies that would increase it is complex. A good starting point is:

- Richard Layard (2005) *Happiness: Lessons From a New Science*

If you wish to dig deeper into this topic, read some of the studies referred to in footnotes to the Layard book, and also:

- Luigino Bruni and Pier Luigi Porta (Eds) (2006) *Economics and Happiness: Framing the Analysis*

Please also listen to this short talk:

- Daniel Kahneman\(^5\): *The riddle of experience vs. memory*

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\(^5\) Kahneman: Nobel Memorial Prize in Economic Sciences, 2002
5) Rationality

Research on rationality is an exciting and rapidly expanding field in economics. Here are a few easy books to get you started:

- Dan Ariely (2008), *Predictably Irrational: The Hidden Forces That Shape Our Decisions*
- Peter A. Ubel (2009), *Free Market Madness: Why Human Nature Is at Odds With Economics--And Why It Matters*

The study of irrational behavior has led to the formation of a branch of economics called Behavioral Economics. The following is actually a textbook designed for an entire advanced undergraduate or master’s degree course in behavioral economics.

- Nick Wilkinson (2008) *An Introduction to Behavioral Economics*

If you want to dig deeper, here are a few essay collections that present many perspectives on the issues as the field was taking shape:

- Karen Schweers Cook and Margaret Levi (Eds.) (1990) *The Limits of Rationality*
- Richard H. Thaler (1994), *Quasi Rational Economics*
- Daniel Kahneman and Amos Tversky (Eds.) (2000), *Choices, Values, and Frames*
6) Motivation

What motivates behavior? Increasingly, economists have come to recognize what Adam Smith knew more than two centuries ago: humans are motivated not just by self-interest but also by moral sentiments and other considerations. Economic policies based on antiquated models assuming that people are strictly self-interested are still doing great harm in the world.

To get you started, please watch the following short YouTube videos:
- Daniel Pink, Drive: The Surprising Truth About What Motivates Us
- Jeremy Rifkin, The Empathic Civilization

The following books should give you an introduction to the quest to understand people’s complex motivations.
- Jane J. Mansbridge (Ed.) (1990) Beyond Self-Interest
- Bruno S. Frey (1997), Not Just For the Money: An Economic Theory of Personal Motivation

Here’s a sample from the more recent literature:

If you feel ambitious, you might want to read Adam Smith yourself:
- Adam Smith (1759), The Theory of Moral Sentiments (I suggest reading this translation into modern English by Professor Jonathan Bennett. You can also try reading the original text in 18th Century English if you prefer.)

You should also read Amartya Sen’s comment about Smith:

A promising avenue of inquiry is how people’s identity shapes their choices and behavior.

Another up and coming field of inquiry is what has come to be known as neuroeconomics. A good starting point to get a flavor of what is being done is:
- Paul W. Glimcher, Colin F. Camerer, Ernst Fehr and Russell A. Poldrack (Eds.) Neuroeconomics: Decision Making and the Brain

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⁶ Sen: Nobel Memorial Prize in Economic Sciences, 1998
⁷ Akerlof: Nobel Memorial Prize in Economic Sciences, 2001
7) Ethics, Justice and Economics

As economists, you may be called upon to recommend the adoption of various policies. Invariably these policies will affect people’s lives and not always positively. Economists have long been aware of the need to refer to ethical norms when making value judgments. Read


If you want to dig deeper, you can also gain useful insights from two older contributions:

- Kenneth E. Boulding (1968) *Beyond Economics: Essays on Society, Religion and Ethics*
- Amartya Sen (1987) *On Ethics & Economics*
8) Economic Progress and Social Change

"I do not know how the third World War will be fought, but I can tell you what they will use in the fourth – rocks!"

Albert Einstein (1949)

An essential part of the role of economists is to both spur and help manage change so it would be for the better, i.e., progress. Progress can be achieved through two types of changes: (i) Discrete (or radical) changes in how societies are organized and govern themselves; (ii) Incremental (or gradual) changes that address specific problems and bring about small but cumulative improvements. Both need to be considered.

1. Radical changes:

- Karl Marx and Friedrich Engels (1848) *Manifesto of the Communist Party*

You should also familiarize yourself with various radical ideologies. I suggest you start with the Wikipedia page on Libertarian Socialism and go on from there, following links to other pages until your head starts spinning.

To help you put it all in perspective, read:


2. Incremental changes:

Incremental changes run the gamut from economic development, to dealing with financial crises, to alleviating poverty, to dealing with climate change. Here’s a sample of interesting contributions:

- Franklin D. Roosevelt (1933) *Looking Forward*
- Robert Heilbroner (1992) *Twenty-First Century Capitalism*
- Nicholas Stern (2007) *The Economics of Climate Change*

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8 Einstein: Nobel Prize in Physics, 1921
9 North: Nobel Memorial Prize in Economic Sciences, 1993
10 Yunus: Nobel Peace Prize, 2006
11 Stiglitz: Nobel Memorial Prize in Economic Sciences, 2001
**Plea:** If you borrow from the library the last copy of any of these books, please let the other students know you have it and please be willing to share. Not everyone might be able to afford to buy all these books for themselves. You are all in the same boat and your colleagues’ ability to learn can only enhance yours.