

Miles Corak
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MALS 78500 and QMSS 75000

Spring 2021

ECONOMICS FOR EVERYONE

Tuesdays from 6:30 to 8:30pm via Zoom ID 890 6068 1991

This course has three blocks of classes. Block 1 examines the method and scope of economics, introducing some fundamental principles, and by appealing to some important historical examples illustrates how the definition and methods of the subject have evolved. Block 2 focuses on the “theory of value,” the microeconomics of perfectly competitive markets to illustrate the efficiency of markets and how economists think about the role of public policy when markets “fail.” Block 3 introduces national income accounting and macroeconomics, the revolution in thinking in the aftermath of the Great Depression of the 1930s, and how the standard Keynesian model remains useful in understanding the Great Recession of the last decade.

Class 0	Administration
Class 1	Preliminaries – an analysis of the Great Recession

Block 1

Class 2	A definition of the subject?
Class 3	Economic growth and income distribution
Class 4	International trade and some core concepts

Block 2

Class 5	Prices and market structures
Class 6	Demand and supply, perfectly competitive markets
Class 7	Applications of demand and supply
Class 8	Applications of demand and supply
Class 9	Market failures and public policy

Block 3

Class 10	Macroeconomic indicators
Class 11	The National Accounts
Class 12	Unemployment and the Keynesian model
Class 13	Monetary and fiscal policy



Course Description and General Objectives

Upon completion of this course successful students will be familiar with the basic principles of economics and be able to apply them critically to issues dealing with American and international public policy. Students will read, summarize, and critically assess texts in economic theory, public policy documents, and media reporting, working both individually and in groups to produce written reports and oral presentations.

The course has been specially designed to meet the needs of graduate students in all disciplines who may have had only limited exposure to economics during their undergraduate studies. Upon completion of the course students will have the skills and knowledge to understand and critically assess public policy debates dealing with both micro and macroeconomic issues, as well as to enrol in more advanced courses in economic theory.

Specific Learning Goals and Outcomes

1. To develop a knowledge of economic principles
 - a. Students will be introduced to the basic principles of both micro and macro economic theory through lectures based upon a variety of readings they will do from standard texts.
 - b. Students will enhance their familiarity with economic problems and methods of reasoning through a series of assignments.
 - c. In consultation with the professor and working in small teams, students may make a presentation summarizing a relevant aspect of economic theory and its application to public policy.
2. To apply economic reasoning to public policy issues
 - a. Regular reading of media reports will enhance familiarity with the economic aspect of public policy issues. The instructor has set up a Twitter account at <https://twitter.com/MilesCorak>, with the handle @MilesCorak, and a website at <https://mileskorak.com/> as a way of remaining in conversation with students, offering direction to current events and articles of interest, and in particular to direct students to newspaper articles and posts that are credible and of particular interest. The Twitter hashtag #ECON4All will usually be used for this purpose.
 - b. The professor will also make available recent public policy documents and other readings that students may read individually or as a group, present to the class, and submit written critiques.

Teaching Methods and Skills Development

Successful learning requires continuous and conscious engagement with the subject, and active in-class participation is an essential part of this engagement. It will serve as an important basis for evaluating the student's work in this course.

The successful student will take full advantage of the opportunities provided in class. Attending classes, handing in assignments on time, and consistently contributing to the class in all activities—whether group, pair, or individual—will all be considered as measures of success in effectively using class time.

The classroom is intended to be a safe place where students can question and practice, receive feedback from both the instructor and their peers, and rely on their classmates as partners and resources in the learning process. The instructor's role is to provide resources, guidance, and support, but students are responsible for engaging actively in the process. Active listening and engagement require, at a minimum, that students turn off and store all cell phones.

Students are responsible for completing readings before the class, being prepared for discussions, submitting assignments on time, volunteering material for the consideration of the class, and working constructively as a team member. The nature of a successful student's participation might be characterized by the phrase "informed engagement."

The teaching approach will involve the use of theory to highlight important public policy debates; adopt the view of economics as a science that has developed and is developing in response to a conversation between theory, policy needs, and data availability; and also encourage an appreciation of the historical context and the personalities of the great thinkers who have helped to shape the subject.

Resources

Course materials and introductions to the lectures will be regularly posted to <https://mileskorak.com/my-teaching/economics-for-everyone/>, a site that students should consult weekly for updates and documents.

Students are required to have access to the following three books.

The first is an economics textbook, available at no cost on-line.

The Core Team (2017). *The Economy: Economics for a changing world*. Available at <https://www.core-econ.org/the-economy/>

This book offers both a standard and innovative treatment of the materials in a first-year economics course. The authors describe the book by saying:

The Economy is a course in economics. Throughout, we start with a question or a problem about the economy—why the advent of capitalism is associated with a sharp increase in average living standards, for example—and then teach the tools of economics that contribute to an answer.

For each question, the material is in the same sequence. We begin with a historical or current problem, even if it is a complex one, and then we use models to illuminate it.

It will be used as the standard reference text, offering the basis for some lectures, student led presentations, and also for supplemental reading as well as some assignments. As a companion resource, students may wish to follow along with the “book club” reading of a sister text: *Economy, Society, and Public Policy*. Listen to “Econ Extra Credit with David Brancaccio” at <https://www.marketplace.org/2020/01/28/core-econ-textbook/> as a chapter of this text is read each week during this semester.

The second book is:

Dani Rodrick (2015). *Economics Rules: The Rights and Wrongs of the Dismal Science*. New York: W.W. Norton and Company.

Written in a lively and accessible style, this book, by a noted political economist and public policy analyst, explores economic theory with the objective of illustrating the power of economic logic to clarify sometimes confused thinking. On page *xiv* of his preface the author states:

I felt there was a need for a book that [was aimed] at both economists and noneconomists. My message for economists is that they need a better story about the kind of science they practice. I will provide an alternative framing highlighting the useful work that goes on within economics, while making transparent the pitfalls to which the practitioners of the science are prone. My message for noneconomists is that many of the standard criticisms of the economics loses their bite under this alternative account. There is much to criticize in economics, but there is also much to appreciate (and emulate).

This will be used to complement the formal analysis of both micro and macro economic theory, but principally to appreciate both the clarity and blind spots of economic theory to analyse contemporary public policy issues.

The third book is:

Tim Harford (2005). *The Undercover Economist*. New York: Random House.

This book, by an accomplished journalist associated with *The Financial Times*, offers readers the opportunity to develop a quick familiarity with economic reasoning, some of the basic principles of micro and macro economics, and with their application to public policy. It will also be used to complement our formal analysis. In particular, the book will be used as the basis for the content and structure of some of the professor’s lectures, but also for student led discussion and presentations.

Students will also be required to make use of the Internet to download documents that will be used during the course. The suggested readings from academic journals can be obtained through the e-journal facility of the library, and in particular from JSTOR.

Assessment Methods

Emphasis is given to the student's engagement in the course and the activities of the class. This is best demonstrated by motivated and informed involvement. This requires attending all scheduled classes, but also having completed the readings before the class and being prepared to engage in discussion. It involves contributions to group work, completion of assignments by the required date, and attention to feedback from peers and the instructor. But obviously if students are not present they cannot participate, and regular attendance is therefore required.

The grading will be based on the following:

Informed engagement	25%
Two take-home assignments	40%
Book Review and/or Final Examination	35%
Optional bonus oral interview	-5% to +5%

Students have a choice of either: writing a book review; undertaking a final examination; or doing both. The weighting of these requirements in the final course mark is a student choice. For example, a student may wish to give zero weight to the book review and full weight to the final exam, meaning that the student only needs to complete the final examination and opts not to submit a book review. At the other extreme, a student may wish to give zero weight to the final examination, requiring only that a book review be submitted. Or a student may wish to undertake both requirements. In this case, the professor will use the highest grade from either the book review or the exam to assign the student's mark for this requirement.

The professor may invite students to supplement their grade through an oral interview after all other course requirements have been completed and before the end of the semester. The interview is intended for students who have demonstrated a strong understanding of the course materials. The intent is to evaluate whether or not the student has attained an eloquence in using their knowledge that is otherwise difficult to assess through written evaluations. The decision to accept the request is, without prejudice, at the student's sole discretion. The interview may increase or decrease the student's grade by no more than five percentage points as determined solely by the professor.

A final mark below 65% corresponds to a C, 65 to 69% to a B- , 70 to 74% to a B, 75 to 79% to a B+ , and in a similar way 80 to 84%, 85 to 89%, and 90 or above to respectively A- , A , and A+ . The passing grade for the course is a 65%.

Students may schedule a meeting with the instructor at some point during the week after the first in-class take home assignment to discuss their progress, and any barriers they perceive to their learning. Keeping a weekly diary of their experiences in the course may be a helpful way

for students to develop their awareness of issues that could be raised at this meeting. The diary could address particular insights they have valued, problems they are confronting, and appropriate changes to their learning styles/techniques and the professor's teaching style. Both the meeting and the diary are intended to be vehicles for constructive feedback and do not form part of the course evaluation. This option is at the student's discretion and interest.

The milestones for the course requirements are as follows:

First take-home assignment

February 25th Distributed by the professor at the end of the class

March 3rd Submitted by students to arrive in the professor's inbox by noon

Second take-home assignment

April 1st Distributed by the professor at the end of the class

April 22nd Submitted by students to arrive in the professor's inbox by noon

Book Review

April 21st Students finalize the title of the book by an email to the professor

May 12th Submitted by students to arrive in the professor's inbox by noon

Final Examination

May 13th Distributed by the professor at the end of the class

May 20th Submitted by email to arrive in the professor's inbox by noon

Please note that attendance is compulsory, and that the professor may exclude any students whose attendance or participation is unsatisfactory from the final examination, or refuse to accept their book reviews. Students who do not complete both take-home assignments on time without a valid reason and appropriate documentation being given to the instructor will not be permitted to participate in the final examination or submit a book review, and will be assigned a failing grade for the course. Students who do not complete one of the assignments on time will have their final examination/book review account for 50% of their grade.

Resources for book reviews

A critical book review must be written in a way that clearly uses the materials and themes in the course to assess the major messages, methods, and implications of one of the following:

Richard Baldwin (2019). *The Globotics Upheaval: Globalization, Robotics, and the Future of Work*. New York: Oxford University Press.

Leah Platt Boustan (2017). *Competition in the Promised Land: Black Migrants in Northern Cities and Labor Migrants*. Princeton: Princeton University Press.

Diane Coyle (2016). *GDP: A Brief but Affectionate History*. Revised and Expanded Edition. Princeton: Princeton University Press.

Robert H. Frank (2016). *Success and Luck: Good Fortune and the Myth of Meritocracy*. Princeton: Princeton University Press.

Alan B. Krueger (2019). *Rockonomics: A Backstage Tour of What the Music Industry Can Teach Us about Economics and Life*. New York: Penguin Random House.

Atif Mian and Amir Sufi (2014). *House of Debt: How They (and You) Caused the Great Recession, and How We Can Prevent It from Happening Again*. Chicago: University of Chicago Press.

Branko Milanovic (2019). *Capitalism, Alone: The Future of the System that rules the World*. Cambridge, Massachusetts: Harvard University Press.

Thomas Philippon (2019). *The Great Reversal: How America Gave Up on Free Markets*. Cambridge, Massachusetts: Harvard University Press.

Richard Reeves (2017). *Dream Hoarders: How the American Upper Middle Class Is Leaving Everyone Else in the Dust, Why That Is a Problem, and What to Do About It*. Washington DC: Brookings Institution.

Dani Rodrik (2019). *Straight Talk on Trade: Ideas for a Sane World Economy*. Princeton: Princeton University Press.

Robert J. Shiller (2019). *Narrative Economics: How Stories Go Viral & Drive Major Economic Events*. Princeton: Princeton University Press.

Gernot Wagner and Martin L. Weitzman (2015). *Climate Shock: The Economic Consequences of a Hotter Planet*. Princeton: Princeton University Press.

Course Structure

The course materials will be presented in three blocks, highlighting three themes. The specific materials to be covered will be offered in a completed course outline, but this list will be indicative and other materials may be introduced at the professor's discretion according to student needs and interests. Some of these readings will also be the basis of assignments.

The course begins with a preliminary discussion of the causes and consequences of the financial crisis and economic recession that began in the fall of 2008. This discussion is intended to raise issues, vocabulary, and questions that will motivate some of our studies, and that will be revisited throughout the course, and particularly toward the end.

BLOCK 0 Preliminaries – An analysis of the Great Recession

CLASS 1 – February 4th

Watch the first 40 minutes of a presentation made by Joseph Stiglitz summarizing a report commissioned by the United Nations on the causes and policy implications of the 2008 crisis, “Reform of the International Monetary and Financial System.”

Available at: <https://www.carnegiecouncil.org/studio/multimedia/20090930-reform-of-the-international-monetary-and-financial-system>, September 21, 2009.

See also Chapter 2 of United Nations (2009), *Report of the Commission of Experts of the President of the United Nations General Assembly on Reforms of the International Monetary and Financial System*, New York: United Nations. Available at: http://policydialogue.org/files/events/background-materials/Stiglitz_Commission_Report_on_Reforms_of_the_Intl_Monetary_and_Financial_System.pdf

BLOCK 1 – The method and scope of economics

1. A definition of the subject. 2. Economic methods and models. 3. The two great questions: how a society generates a surplus, how that surplus is distributed. 4. Positive versus Normative economics. 5. Some core concepts and pitfalls: scarcity, opportunity costs, marginal reasoning. 6. Comparative advantage and the gains from trade.

CLASS 2 – February 11th

The Core Team (2017). *The Economy: Economics for a changing world*, Unit 1.
Available at <https://www.core-econ.org/the-economy/>

Tim Harford (2005). *The Undercover Economist*. Random House. Chapters 1 and 2.

Dani Rodrick (2015). *Economics Rules: The Rights and Wrongs of the Dismal Science*. New York: W.W. Norton and Company.

Supplemental readings:

Xavier Gabaix and David Laibson (2008). “The Seven Properties of Good Models.” In Andrew Caplin and Andrew Schotter (eds.) *The Methodologies of Modern Economics: Foundations of Positive and Normative Economics*. Oxford: Oxford University Press. Available at: <https://scholar.harvard.edu/laibson/publications/seven-properties-good-models>

Gary S. Becker (1993). *Human Capital: A Theoretical and Empirical Analysis with Special Reference to Education*. Third Edition. Chicago: University of Chicago Press. Pages 108 to 130. Available at <http://www.nber.org/books/beck94-1> .

Roger E. Backhouse and Steven G. Medema (2009). “On the Definition of Economics.” *Journal of Economic Perspectives*. Volume 23, Number 1 (Winter), pp. 221-33.

Gary S. Becker (1976). *The Economic Approach to Human Behavior*. Chicago: University of Chicago Press, Chapter 1.

CLASS 3 – February 18th

The Core Team (2017). *The Economy: Economics for a changing world*, Units 2, and 3. Available at <https://www.core-econ.org/the-economy/> .

Ian Sample (2008). “Doctors’ advice to Britons: have fewer children and help save the planet.” *The Guardian*. Friday, July 25. Page 3. Available at <http://www.guardian.co.uk/world/2008/jul/25/population.health>

Editorial page (2008). “Population Control: An old misconception.” *The Guardian*. July 25. Page 38. Available at <http://www.guardian.co.uk/commentisfree/2008/jul/25/population.climatechange>

Nicolas Lezard (2008). “Now doctors are telling families to have only two kids. As a father of three, I know what’s good for us.” *The Guardian*. July 26. Page 34. Available at <http://www.guardian.co.uk/commentisfree/2008/jul/25/population.children?INTCMP=LCNETTXT3487>

Dani Rodrick (2015). *Economics Rules: The Rights and Wrongs of the Dismal Science*. New York: W.W. Norton and Company.

CLASS 4 – February 25th

The Core Team (2017). *The Economy: Economics for a changing world*, Unit 18. Available at <https://www.core-econ.org/the-economy/> .

Tim Harford (2005). *The Undercover Economist*. Random House. Chapters 8 and 9.

BLOCK 2 – Micro-economic theory of perfectly competitive markets

1. Prices: nominal, real, relative. 2. Markets and market structures. 3. Perfectly competitive markets. 4. Applications of demand and supply: agricultural commodities, oil, specific taxes and making marijuana legal. 5. Applications of demand and supply: inequality, labour markets and minimum wages 6. Consumer and producer surplus. 7. Market inefficiencies.

Listen to the first Reith Lecture 2020: Mark Carney – “How We Get What We Value” on BBC Radio 4, December 2nd, 2020: <https://www.bbc.co.uk/sounds/play/m000py8t>

CLASS 5 – March 4th

Statistics Canada (1996). *Your Guide to the Consumer Price Index*. Ottawa: Statistics Canada, Catalogue Number 62-557. Available at <https://www150.statcan.gc.ca/n1/pub/62-557-x/62-557-x1996001-eng.pdf>.

U.S. Bureau of Labor Statistics (2019). “Learn about the Chained CPI (C-CPI-U).” Available at: <https://www.bls.gov/cpi/additional-resources/chained-cpi.htm>

CLASS 6 – March 11th, CLASS 7 – March 18th, CLASS 8 – March 25th, CLASS 9 – April 8th
Are based on the following readings:

The Core Team (2017). *The Economy: Economics for a changing world*, Units 8, 9, 11 and 12. Available at <https://www.core-econ.org/the-economy/>.

Tim Harford (2005). *The Undercover Economist*. Random House. Chapters 3, 4, and 5.

Block 3 – National accounting and macroeconomic theory

1. Macroeconomic indicators: unemployment, inflation, gross domestic product. 2. The National Accounts. 3. Unemployment: the classical model. 4. Unemployment: the Keynesian model. 5. Wage inflation, Price inflation. 6. The conduct of monetary policy and fiscal policy.

CLASS 10 – April 15th, CLASS 11 – April 22nd
Are based on the following readings:

Diane Coyle (2016). *GDP: A Brief but Affectionate History*. Revised and Expanded Edition. Princeton: Princeton University Press.

Constance Sorrentino (2000). “International unemployment rates: how comparable are they?” *Monthly Labor Review*. (June), pages 3-20. Available at: <https://www.bls.gov/opub/mlr/2000/06/art1full.pdf>

Nicholas LePan (2019). “The History of Interest Rates Over 670 years.” <https://www.visualcapitalist.com/the-history-of-interest-rates-over-670-years/>

CLASS 12 – April 29th , CLASS 13 – May 6th
Are based on the following readings:

Eric Budish and Luigi Zingales (2020). “The Future of Money?” Becker Friedman Institute, University of Chicago. Insights / Podcast Episode: Pandemic Economics, November 5th.
<https://bfi.uchicago.edu/podcast/deep-dive-series-the-future-of-money/>

Fernando Alvarez and Raghuram Rajan (2020). “Is the Future Cashless?” Becker Friedman Institute, University of Chicago. Insights / Podcast Episode: Pandemic Economics, October 22nd. <https://bfi.uchicago.edu/podcast/deep-dive-series-is-the-future-cashless>

The Core Team (2017). *The Economy: Economics for a changing world*, Units 13, 14, 15 and 17. Available at <https://www.core-econ.org/the-economy/> .

Miles Corak (2016). “American Economic Policy, as told by Martin Feldstein at Harvard University: Lecture 2, Where are we? How did we get here? What next?” Economics for Public Policy blog. January 27. Available at
<https://mileskorak.com/2016/01/27/american-economic-policy-as-told-by-martin-feldstein-at-harvard-university-lecture-2-where-are-we-how-did-we-get-here-what-next/>

Miles Corak (2016). “American Economic Policy, as told by Martin Feldstein at Harvard University: Lecture 8, Monetary Policy: Business Cycles and Inflation.” Economics for Public Policy blog. February 16. Available at
<https://mileskorak.com/2016/02/16/american-economic-policy-as-told-by-martin-feldstein-at-harvard-university-lecture-8-monetary-policy-business-cycles-and-inflation/>

John B. Taylor (1993). “Discretion versus policy rules in practice.” Carnegie-Rochester Conference Series on Public Policy. Vol. 39, page 195-214. Available at:
<https://web.stanford.edu/~johntayl/Papers/Discretion.PDF>

Miles Corak (2016). “American Economic Policy, as told by Martin Feldstein at Harvard University: Lecture 10, Preventing and Responding to Financial Crises.” Economics for Public Policy blog. February 17. Available at
<https://mileskorak.com/2016/02/17/american-economic-policy-as-told-by-martin-feldstein-at-harvard-university-lecture-10-preventing-and-responding-to-financial-crises/>

Neil Irwin (2014). “Of Kiwis and Currencies: How a 2% Inflation Target Became Global Economic Gospel.” *The New York Times*. December 19th. The Upshot. Available at:
<http://www.nytimes.com/2014/12/21/upshot/of-kiwis-and-currencies-how-a-2-inflation-target-became-global-economic-gospel.html>

Ben S. Bernanke (2019), “Monetary Policy in a New Era.” In Olivier Blanchard and Lawrence H. Summers (editors). *Evolution or Revolution? Rethinking Macroeconomic Policy after the Great Recession*. Cambridge Massachusetts: MIT Press. Chapter 1.

Ben S. Bernanke (2020). “The New Tools of Monetary Policy.” American Economic Association Presidential Address. January 4th. Video available at: <https://www.aeaweb.org/webcasts/2020/aea-presidential-address-twenty-first-century-monetary-policy>.

Economics for Everyone
Spring 2021

Name of person interviewed _____

1. Offer a short personal biography of yourself that you would like to share with others.

2. What are your major interests, and what did you study as an undergraduate?

3. What program are you in? Why are you in this program?

4. What are your objectives for this course?

Economics for Everyone
Spring 2021, Assignment 0

1. Graph the following information as neatly as possible in the form of a bar chart.

X	Y
0 to 100	100
100 to 200	90
200 to 300	80
300 to 400	70

2. Consider the following four variables: M, V, P, Q. If $M \times V = P \times Q$, then solve for P. Show your calculations.