

Syllabus: Principles of Real-World Economics, Econ 397RW
Developed by **John Komlos**

We shall discuss controversial topics relevant to modern economics from an interdisciplinary perspective and explore the role of psychology, sociology and political science in economic theory and policy, topics that are usually not included in Principles of Economics courses. The course offers a wide perspective on the psychological foundations of economic activity by introducing the students to the new field of behavioural economics and behavioural finance. We enrich the standard neo-classical model by studying such concepts as bounded rationality and satisficing. We explore the main outlines of decision making under uncertainty. Other topics discussed include research on measuring happiness as an alternative welfare indicator, the problem of moral hazard in the bailouts, the principal-agent problem in industrial organisation, adverse selection in insurance markets, opportunistic behaviour in consumer theory, the new trade theory as it relates to our current account deficits, transaction cost economics, oligopoly, monopolistic competition and Keynesian macroeconomics vs monetarist approaches. The course does not involve mathematics and is not meant to be a substitute for intermediate level economics courses. Rather, the course covers topics that are usually not covered in principles courses but does so at the level of sophistication of a usual principles course. The emphasis is real-world applications rather than model building or theoretical considerations.

Grades will be based on the average grades of the 18 quizzes. Quizzes are all due at the end of the summer session. Each quiz is made up of 20 questions. Letter Grade Distribution will be as follows:

A	A-	B+	B	B-	C+	C	C-	D	F
93	90	87	83	80	77	73	70	60	<60

Textbooks: John Komlos, *What Every Economics Student Needs to Know and Doesn't Get in the Usual Principles Text*. (Routledge: 2014). Each chapter has a quiz. A few chapters have two quizzes.

Supplementary Readings: See assignments below

Please review the course schedule below:

Week #	Unit #	Topic	Komlos	Other Blackboard Course Content	Assignments Due
1	A	The nature of the utility function	Chapter 1	Read: (1) Robert Frank, 1985. The Demand for Unobservable and Other Nonpositional Goods. <i>American Economic Review</i> 75, no. 1, 101-116.	Quiz 1
	B	Well-being: GNP and Happiness	Chapter 2	Read: (1) Robert H. Frank, How not to buy happiness, <i>Dædalus</i> Spring 2004, 133(2) 69-79 (2) Richard Easterlin, 1974. Does Economic Growth Improve the Human Lot? Some Empirical Evidence. In Paul David and Melvin Reder, eds. Nations and Households in Economic Growth: Essays in Honor of Moses Abramovitz, Palo Alto: Stanford University Press, 89-125. Watch Videos: (1) Daniel Kahneman on Well-being (2) Joseph Stiglitz: Problems with GDP as an economic indicator	Quiz 2
2		Psychology: the economics of bounded rationality	Chapters 3 & 4	Read: (1) Amos Tversky, Daniel Kahneman, Judgment under Uncertainty: Heuristics and Biases. <i>Science</i> , New Series, Vol. 185, No. 4157 (Sep. 27, 1974), pp. 1124-1131. (2) Kahneman, D. "Maps of Bounded Rationality: Psychology for Behavioral Economics." <i>American Economic Review</i> (December 2003): 1449-1475.	Quiz 3 Quiz 4a Quiz 4b

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				Watch Videos: (1) Dan Ariely: The Upside of Irrationality (2) Nobel Prize Lecture, December 8, 2002. Daniel Kahneman	
3	A	Oligopoly and monopolistic competition	Chapters 5 and 6	(1) Thomas Philippon and Ariell Reshef, 2008. "Wages and Human Capital in the U.S. Financial Industry: 1909-2006,"	Quiz 5a Quiz 5b Quiz 6
	B	The distribution of income, compensation in oligopolistic industries, moral hazard and the principal-agent problem	Chapter 7	Read: (1) Gian Luca Clementi and Thomas F. Cooley, 2009. "Executive Compensation: Facts." NBER Working Paper 15426; (2) John Rawls, "Some reasons for the Maximin Criterion," <i>American Economic Review</i> 64 (1974), 2:141-146.	Quiz 7
4	A	The economics of Imperfect information	Chapter 8	Read: Joseph Stiglitz: "GDP Fetishism," <i>The Economists' Voice</i> , 2009. Vol. 6, Issue 8, Article 5	Quiz 8
	B	The Vanishing Middle Class	Chapter 9	Read: Edward N. Wolff, 2010. Recent Trends in Household Wealth in the United States: Rising Debt and the Middle-Class Squeeze—an Update to 2007. Levy Economics Institute of Bard College March Working Paper No. 589. Watch Video: Elizabeth Warren lecture on the vanishing Middle Class	Quiz 9a Quiz 9b
5	A	Keynesianism collides with Monetarism	Chapter 10	Read: Jeffrey Sachs: Rethinking Macroeconomics. Capitalism and Society, Vol. 4 [2009], Iss. 3, Art. 3. Watch: Chairman Bernanke's College Lecture Series: The Federal Reserve and the Financial Crisis, Part 2	Quiz 10

Week #	Unit #	Topic	Komlos	Other Blackboard Course Content	Assignments Due
	B	Path Dependence and Network Externality	Chapter 11	Read: Paul David, "Clio and the Economics of QWERTY," <i>American Economic Review</i> 75, 2 (May 1985): 332-337.	Quiz 11
6	A	Prospects of the US Economy	Chapter 12	Watch: Paul Krugman and Larry Summers, Munk Debates: The North American Economy	Quiz 12
	B	Globalisation and its Discontents	Chapter 13	Read: Joseph Stiglitz, "Of the 1%, by the 1%, for the 1%," <i>Vanity Fair</i>. May, 2011	Quiz 13
7		Inside the Meltdown	Chapters 14, 15, 16	Read: Simon Johnson, "The Quiet Coup," <i>The Atlantic</i>, May, 2009. Watch: PBS Frontline: Inside the Meltdown	Quiz 14 Quiz 15a Quiz 15b