COURSE DESCRIPTION

Textbooks and readings for course:

Required: Heilbroner, *The Worldly Philosophers*
Krugman, *The Accidental Theorist* (referred to below as THEORIST)
Eisner, *The Great Deficit Scare*
Reich, *The Future of Success*
Krugman, *The Return of Depression Economics* (referred to below as DEPRESSION)
Krugman, *Fuzzy Math* (referred below as FUZZY)

We will be reading all of these books (mostly in their entirety) through the semester. Note that each of these books can be purchased either at the bookstore or through Amazon.com or other e-book outlets (at some discount.)

*The Wall Street Journal; New York Times;* or other quality news periodical (including online sources).

Contacting the Instructor:

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Synopsis of the Course:

Whether it is a specialty of yours or not, economics and public policy are subjects of considerable import. On an on-going basis, many dimensions of public policy debates in this country and throughout the world deal with economic issues. The media, businesses, government officials and the general public are all concerned with the present status and future potential of the U.S. economy. As individuals and as citizens, we have an ongoing interest in our own economic security and status, as well as the economic well-being of those around us. As professionals in business, government, or not-for-profit organizations, it is imperative to understand the short term and long term implications of how economic trends, policy directions, and external events affect the economy at large, and sectors and segments of industries, companies, and regional economies.
Beginning in the early 1990s and continuing until the year 2000, the U.S. economy experienced a period of unprecedented strong economic performance, marked by low rates of inflation and unemployment, major technological advances and transformations, increasing globalization of the economy, rapid productivity growth, and impressive increases in real incomes. However, beginning in the spring of 2000, the U.S. economy officially went into recession. The performance of the U.S. economy has also been paralleled abroad, with more and more industrialized countries experiencing slowdowns in their economic performance. While the summer of 2002 offers hope for a recovery, that recovery promises to be slow, with accounting scandals and doubts about top management integrity exacerbating that slowness. Indeed, currently there is probably no public policy more important to the U.S. economy than what will be done about accounting and auditing reform.

The United States is increasingly part of a global economy, and much of the industrialized world gained in prosperity throughout the late 1990s. However, the 1990s also witnessed significant episodes of instability and disarray in international financial markets and economies abroad. Beginning in 1995, there were episodes of considerable economic distress in Asia, Russia and Latin America, and unemployment rates in many European countries remained high throughout the 1990s in comparison to recent American experience. Other economic surprises continue to occur: the collapse of the dot.com boom, the recent energy crisis in California, and the various accounting scandals in particular point out vulnerabilities and undermined the complacency that many observers had placed in the United States’ economic performance over the past decade.

Nonetheless, recent policy concerns that were highlighted in the 2000 presidential election, and which have been discussed during the first year of the G.W. Bush administration, remain controversial. Such issues as Social Security, tax policy, proper use of the Federal budget surplus (now a deficit), and environmental policies have been the subjects of debate among policy leaders, with little clear consensus on what directions to go on these challenges. Other pertinent topics also challenge policy makers and the general public, such as alternatives for funding health care, strategies to deal with welfare, and how best to structure policies for education.

This course will use economic models and tools to assist you in gaining a perspective in which to critically evaluate such issues. This requires you to gain a sense of the underlying logic, ideology and evidence behind such debates and concerns.

Among the topics we will examine in PUBLIC POLICY AND BUSINESS PERFORMANCE are:

• the current performance of the U.S. economy and other economies with respect to growth, tendencies toward recession or inflation, and how these directions influence government policies;
• tax policies in the United States, and the logic behind the recent G.W. Bush tax cuts;
changes in fundamental economic principles as they relate to the “new economy;”
the causes and implications of recent economic and financial crises in Asia and elsewhere;
how trading blocks, such as NAFTA and the European Union, affect the performance of the
U.S. economy and the economies of other countries;
the substance regarding issues linked to anti-globalization /anti-capitalism demonstrations;
problems with the Japanese economy;
successes and failures among the former socialist economies as they attempt to evolve toward
market-driven capitalist economies;
tendencies toward consolidation and globalization in many industries; and
where the U.S. and world economies are going in the long term.

There are, of course, many other policy questions that have strong economic implications and
will enter into discussion within their economic context.  Such issues include:

consolidation, anti-trust, and the strategic positioning of the modern corporation;
modern accounting and auditing practices;
Wall Street expectations and corporate earnings;
terrorism;
world population growth, environmental concerns, and their implications for industrialized
and developing countries;
the strength of the dollar relative to other major world currencies;
Social Security funding in the United States and other countries, and implications for
intergenerational distribution of income;
health care reform alternatives and the well-being of Americans;
regulatory and public policy directives for specific industries;
economic implications of immigration; and
政府’s role in balancing trade-offs among different objectives and interest-groups.

This is a time when understanding global, international, national and regional economics is
becoming more important as well as more difficult. The purpose of this course is to expose you
to economic thinking about the internal workings of and the external environment for the modern
corporate organization and how these are affected by various economic, technological, and
organizational factors, and by government policy.

The Course

The course will examine the underlying conceptual foundations of the modern corporation; of
fiscal and monetary policies as they have been applied in the United States; and of the theoretical
axioms and assumptions for liberal, moderate and conservative approaches to regulatory, macro-
-economic and international economic policy. We will also examine the foundations of current
debates concerning the implications of public and private debt, the international trade deficit,
foreign trade policy, globalization of the economy, and economic growth. We will also spend
some time examining government policy toward individual firms and markets. Portions of the
course will deal with the mechanisms of actual markets and how public policy has evolved in its attempts through regulation and law to influence the performance of various industries in an acceptable direction.

A good portion of the course will examine the role of the U.S. economy in relation to the world economy. Many U.S. policies of the past two decades have been justified on the basis that the nature of competition in the modern economy is far more affected by international trade and competition than ever before, i.e. we are indeed becoming a global village. We will attempt to integrate such concepts into an understanding of modern public policy toward business.

**Current Economic Events**

Because of the topical nature of many of the subjects we will be dealing with in this course, all students will be expected to read the *Wall Street Journal, New York Times*, Yahoo News, CNN, or other high quality news “periodical” on a regular basis. These articles, and the general discussion on macro-economic and micro-economic policy, will be integrated into lectures and class discussion, and they will also provide background for examinations and for the student panels that are an integral part of the course. Note: I have subscription forms for the above newspapers. In addition, these and many other sources are available online.

**Other Readings**

Besides the six books that we will utilize in the course, numerous articles will be distributed either as hand-outs during my visits to Elko or via email from a variety of sources. Students will be expected to be able to critically analyze these articles in light of the other materials covered in the course.

**Term Project:**

This course will look primarily at the performance of the U.S. economy and its relation to public policy and the rest of the world. For your term project, you should select a country besides the United States and perform a detailed economic analysis of it in the past and present. At minimum, this will involve your examination of the state of that country’s economy in 1980 and again in 2001 (or latest year data are available). You will want to gain a good understanding of how that country’s economy is performing at present, in terms of a variety of economic measures. Among the measures you should examine are various economic performance indicators, such as GDP, per capita income, income distribution, unemployment, literacy levels, key industries, the degree of public sector versus private sector ownership of the country’s capital assets, the quality of infrastructure, the economic philosophy of the ruling government, etc. You should try to measure the status of such indicators, and how much they have changed over the prior year. You should also try to determine how much they have changed over the 21 year period between 1980 and 2001.
Your objective at that point should then be to project the economic potential of that country forward to the year 2010. You might undertake this as if your intent was to help a major corporation (of your choosing) to decide whether or not it would be worthwhile to make major long term capital investments into this particular country. Resources for this endeavor can be drawn from the library and the internet.

Each country can be analyzed by at most two students. (Working on your own is fine). Countries will be allocated on a first requested/first allocated basis.

Student presentations on the various Term Projects will be made October 5. Each student’s presentation should take about 20 to 30 minutes, depending on how many presentations are scheduled.

The following time-table should be adhered to in developing your term project:

1. Selection of countries should be completed and announced no later than August 30; Presentation of specific issues related to your country, and a brief discussion of your objectives (one page or so): Due no later than September 7.

2. First draft of your paper (5 to 15 pages): Due no later than September 27. Drafts and final reports should be submitted via email.

(Note: If it is of high enough quality, the draft might be accepted as the final paper and given a grade. You will then have the choice of accepting that grade or resubmitting a revised draft based on instructor comments and other refinements by the final date. If no grade is given on the draft, it must be resubmitted on the final date.)

3. Final date for submitting the written report: October 11.

Research for your term project, and for other assignments in the course, should utilize internet sources. There is considerable material available over the internet. A few internet sources that you might want to familiarize yourself with are:

http://www.economicsearch.com/
www.stat-usa.gov
http://www.bea.gov
http://www.census.gov
www.wsj.com
www.nytimes.com
COURSE OUTLINE

The following is a tentative week-by-week schedule of reading assignments and examinations. There is a considerable amount of reading material in the course, so it is highly recommended that you be disciplined and diligent in your reading assignments, and read ahead whenever possible.

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<th>DATE</th>
<th>READING ASSIGNMENT</th>
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I. INTRODUCTION: SETTING THE STAGE

August 23, First Class (TV)
What an Economy Does: Principles of Economic Growth; Productivity, jobs, government deficits, and growth

Readings:
THEORIST, introduction and Part 1; Reich, introduction; Eisner, forward and chapter 1; Heilbroner, chapters 1-2.

FIRST ASSIGNMENT, DUE SEPTEMBER 7, 2002

GDP
Real GDP
Productivity index
Productivity growth
Inflation
Unemployment rate
Index of leading economic indicators
Per capita personal income
Percent of the population below the poverty line

(Students may work alone or in groups of two. This may be a good time to choose a partner for the term project if you decide to work with someone. Discussing data sources and data gathering strategies with others is permissable.)

II. THE EVOLUTION OF ECONOMIC IDEAS

September 6-7, Second Class (On-Site)
Understanding the evolution of the American economy; the modern economy; some theories of economics; The Historic Perspective and classical economics; the roots of socialism; Marxism, the neoclassical response, and Veblen

Readings: THEORIST, part 2; Eisner, chapter 2; Heilbroner, chapters 3-8

September 13, Third Class (TV)
Economic thought in the 20th century: Neoclassical economics, monetarism and Keynesian economics.

Readings: Heilbroner, chapters 9 to conclusion;

III. A FRAMEWORK FOR EXAMINING TRENDS IN THE AMERICAN AND WORLD ECONOMY

September 20-21, Fourth Class (On-Site)
Looking at relationships in the modern economy; The life of the professional; Personal and public choices;

Readings: Reich (in its entirety)

IV. CHALLENGES IN MACRO-ECONOMIC POLICY: THE GREAT DEFICIT SCARES AND GLOBALIZATION

September 27, Fifth Class (TV)
Deficits and stability; Globalization

Readings: Eisner, Chapters 3 and 4; THEORIST, part 3;

October 4-5, Sixth Class (On-Site)
Debating the G.W. Bush Tax cut; Future Generations and Social Security; Student reports on term projects.

Readings: FUZZY (in its entirety), Eisner Chapter 4,

October 11, Seventh Class (TV)
Japan and the Asian Crisis;

Readings: DEPRESSION, chapters 1-5; THEORIST, part 4.
Grading and Student Performance

There will be two examinations in the course. The mid-term will be a take-home examination, to be distributed on September 13, and due on September 21. The take-home final will be distributed October 11, and due back on October 18. (Exams can be returned electronically.) Each of these examinations will count for 30% of your grade.

The term project is discussed in the Project section. The term project and the oral presentation will count for 30% of your grade.

The remaining 10% will be based on class participation, class attendance, and the one or more written assignments that will be given out throughout the course. Make-up or late assignments and exams will only be allowed and accepted if I am notified prior to the scheduled date of the assignment/exam.