

Econ 705: Heterodox Approaches to Economics

Spring 2018

Professor: Anders Fremstad
Email: anders.fremstad@colostate.edu
Class meetings: Tuesday/Thursday 9:30-10:45, Eddy 102
Office hours: Wednesday 10:30-12, Thursday 12-1:30, and by appointment

1. Course description

The term heterodox economics is used to describe contemporary schools of thought that fall outside “orthodox” economics, including Marxian, feminist, ecological, Post-Keynesian, and institutionalist economics. Any definition of heterodox economics is contentious, because mainstream economics evolves over time and sometimes incorporates ideas from its critics. This course is intended, together with the History of Economic Thought, to expose graduate students to “diverse perspectives and methodologies” that allow “inquiry into philosophical and social issues surrounding economic analysis.” It should also complement core courses, particularly Microeconomics I and II, and serve as a useful introduction for students who decide to continue their study of Political Economy.

Sam Bowles’ book, *Microeconomics: Behavior, Institutions, and Evolution*, provides the cornerstone for this course. The text presents a “post-Walrasian” view of the economy that emphasizes situations in which individual utility-maximization fails to generate efficient equilibria. Bowles presents coordination failures as a pervasive feature of capitalist economies. We will study the evolution of norms and preferences, incomplete contracts, and their implications for general equilibrium theory. We will also introduce the concept of exploitation and its role in rising inequality.

Throughout the course we will see how important economic ideas can be formalized (or mathematized). Models can clarify economic processes and avoid logical inconsistencies. Although this course is heavy on math, we will also emphasize the verbal and written interpretation of mathematical results. Emphasis will be put on developing skills that will enable students to make significant theoretical or empirical contributions to economics.

2. Course objectives

At the end of this course, students should be able to:

- Apply basic concepts of classical and evolutionary game theory to understand institutional design, coordination problems, public goods, and externalities.
- Use principal-agent models to understand incomplete contracting in product markets, labor markets and credit markets.
- Explain rising economic inequality, including its potential causes and consequences

3. Course materials

The only text you must acquire for this course is:

Bowles, Samuel. 2004. *Microeconomics: Behavior, Institutions, and Evolution*. Princeton University Press.

All other required readings will be posted on Canvas. Each week also lists supplemental readings, which may be of interest. These readings highlight foundational papers in the literature, criticisms of the required reading, and research by CSU faculty that relate to the topic.

4. Course structure

Weekly Readings: You must complete the week's required reading before class on Tuesday. To encourage this habit, students must post at least one well-articulated question pertaining to the readings on the discussion board on Canvas *before class on Tuesday*. You may, alternatively, answer a question posed by another student on the discussion board. We will address your questions in class discussion. Note that the required readings are challenging, and you will probably need to review them repeatedly.

Class Participation: Students are expected to actively participate in class. Class participation deepens our understanding of the issues and generates ideas for original research.

Problem Sets: Six problem sets will be posted on Canvas and due by 2:45pm every other Friday.

Exams: There will be a 2-hour midterm exam and a 2-hour final exam. The structure of these exams will follow the structure of the problem sets. You must be able to provide written evidence of any medical or family emergency which causes you to unexpectedly miss the midterm or the final exam as scheduled. In case no such evidence is provided, and you miss an exam, you will receive 0 points for it.

5. Contact hours and workload

Attend class	~2.5 hours/week
Readings	~3.0 hours/week
Review class notes	~2.0 hours/week
Problem sets	~3.5 hours/week
Study for exams	~2.0 hours/week
Total	~13.0 hours/week

6. Grades

Your final grade will be calculated as a weighted average of your grades in each of the following categories:

- 25% midterm exam
- 25% final exam
- 40% six problem sets
- 10% weekly discussion questions

The grading scale used in this course is:

A+	97-100	B+	87-90	C+	77-80	D	60-70
A	93-97	B	83-87	C	70-77	F	0-60
A-	90-93	B-	80-83				

7. Accommodation for students with disabilities

Students are responsible for requesting accommodations through the process described by [Resources for Disabled Students](#) (RDS). Please inform me of any request in a timely manner.

8. Academic integrity

This course will adhere to the Academic Integrity Policy of the General Catalog and the Student Conduct Code. As per university policy, "Any student found responsible for having engaged in academic dishonesty will be subject to academic penalty and/or University disciplinary action." (General Catalog 2011-2012, 1.6, p.8). While you are encouraged to work together on the problem sets, you must submit your own work, explained in your own words.

9. Schedule

Week	Topic	Required reading	Supplemental reading	Course-work
1	Economics as an unsettled science	Bowles (2004), Prologue and Ch. 1	Basu (2010) Ch. 1 "In Praise of Dissent"	
2	Evolutionary game theory	Bowles (2004) Ch. 2	Basu (2010) Ch. 5 "Markets and Discrimination"; Axelrod & Hamilton (1981) "The Evolution of Cooperation"; Wilson (2015) <i>Does Altruism Exist?</i>	
3	Social preferences	Bowles (2004) Ch. 3	Basu (2010) Ch. 3.4 "Social Norms" & Ch. 6 "The Chemistry of Groups"; Charness & Rabin "Understanding Social Preferences with Simple Tests"	PS 1 due Friday
4	Coordination failures	Bowles (2004) Ch. 4	Frank (2005) "Positional Externalities Cause Large and Preventable Welfare Losses"; Stern (2008) "The Economics of Climate Change"	
5	Business cycles as coordination failures	Foley (2015) "Social Interaction Models and Keynes' Macroeconomics"	Minsky (1992) The Financial Instability Hypothesis; Romer (1993) "The New Keynesian Synthesis"	PS 2 due Friday
6	Sharing the surplus	Bowles (2004) Ch. 5	Jayadev & Bowles (2006) "Guard Labor"; Brauneis (2008) "The Feminist Political Economy of the Rent-Seeking Society"; Piketty et al (2014) "Optimal Taxation of Top Labor Incomes"	
7	Utopian capitalism	Bowles (2004) Ch. 6	Samuelson (1973) "Parable of Utopian Pricing"	PS 3 due Friday
8	Review and midterm			Midterm Thursday
Break				

9	Product markets	Bowles (2004) Ch. 7	Akerlof (1970) "The Market for 'Lemons'"	
10	Labor markets	Bowles (2004) Ch. 8	Shapiro & Stiglitz (1984) "Equilibrium Unemployment as a Worker Discipline Device"; Bowles (1985) "The Production Process in a Competitive Economy"	PS 4 due Friday
11	Credit markets	Bowles (2004) Ch. 9	Stiglitz & Weiss (1981) "Credit Rationing in Markets with Imperfect Information"; Piketty (1997) "The Dynamics of Wealth Distribution and the Interest Rate with Credit Rationing"	
12	Capitalist institutions	Bowles (2004) Ch. 10	Williamson (2000) "The New Institutional Economics"	PS 5 due Friday
13	Exploitation	Roemer (1982) "Property Relations vs. Surplus Value in Marxian Exploitation"	Folbre (1982) "Exploitation Comes Home"; Basu & Vasudevan (2013) "Technology, Distribution, and the Rate of Profit in the US Economy"	
14	Inequality	Piketty & Saez (2014) "Inequality in the Long Run"; Chetty et al (2017) "The Fading American Dream"	Schneider & Tavani (2016) "A Tale of Two Ginis in the U.S."; Cutler, Shields, and Davies (2017) "Can State Tax Policy Increase Economic Activity and Reduce Inequality"	PS 6 due Friday
15	Economic governance and review	Bowles (2004) Ch. 14	Kallbaekken, Kroll, & Cherry (2011) "Do You Not Like Pigou, or Do You Not Understand Him?"; Barbier (2015) <i>Nature and Wealth</i>	Final Exam TBD
