

ECON/COLL 100—01:
The Market as a BIG Idea in Forging Modern Society
(Fall 2024)

Instructor:	Prof. Berhanu Abegaz
My Office:	Chancellors Hall 335
Office Hours:	Mondays: 9:30 - 10:30 am, 2-3 pm, or by appointment
Email:	bxabeg@wm.edu
Class Hours:	T, Th 9:30-10:50 AM
Credit Hours:	4
Lecture Room:	Music Building 228

A Big Idea from Economics

COLL 100 courses focus on big ideas that have transformed society. The ECON version cultivates historical sense, critical-mindedness, application of ideas to public policy, and collaboration.

The idea of a market-driven economic system has profoundly impacted society. Today, about one billion of the world's eight billion people live in prosperous and democratic societies. The bottom billion claim a tiny slice of the \$185 trillion global GDP. Multipolarity is the norm: China accounts for 20% of the total, and the U.S. for 15%. These facts have triggered an acrimonious debate: Has capitalism been an engine of polarization and destruction, an engine of prosperity and freedom, or perhaps both?

The central concern of *oikonomists* has historically evolved from “household management” to “market-mechanism management” today. Ideas about how markets work matter greatly. Economic anthropologists study reciprocity; power preoccupies political scientists, and the mechanics of decentralized market exchange, which economists analyze by melding theory and evidence.

The clue to the answers is the institution called the Market. Commodity markets are as old as society, but the modern and complex version is as misunderstood as ubiquitous. Modern markets permeate almost every aspect of life outside the household: markets for land, labor, finance, and ideas (entrepreneurship). Since the mid-1700s, these “factors” of production have been associated with a social class: landlord, labor, capitalists, and managers/owners.

The puzzles we will “solve” in this class are encapsulated in the following questions: How and when is the market system a handmaiden of prosperity for some (landlords and capitalists) and misery for others (serfs, slaves, Jim Crow, Apartheid, or low-wage workers)? What kind of market economy lifts all boats and creates a large middle class? And, politically and socially, how does market-driven prosperity enhance democratic freedom in some historical contexts/countries and the twinning of tyranny with prosperity in others?

Eighteen-century "liberal" economists, such as Adam Smith, thought of the emergent capitalist economy in Europe and its offshoots as the solution to mass poverty and universal franchise for the ubiquitous tyranny. They used the (guided as if by an) **invisible hand** metaphor to explain the seemingly mysterious workings of markets. [Parenthetically, William & Mary was the first college to teach political economy in the late 1700s using Adam Smith's *The Wealth of Nations* as the textbook].

We will tap into the history of economic thought and industrialization to answer these monumental questions. Historically, the imperatives of competition and cooperation were met by four dominant networks of institutions (i.e., the rules of the economic game): **altruistic reciprocity** (mutual social gifting of unequal values, cooperatives, communes), **rent-seeking** or appropriation of wealth from producers by the specialists of violence (serfdom, slavery, anarchy), **altruistic state paternalism** (socialism), or **self-interested market transactions** (voluntary exchange of equal values).

The Classics turned out to be essentially right. Still, the way to heaven has been hellish for ordinary subjects and citizens alike—triggering rebellions and revolutions (French, American, Russian, Chinese), including the socialist system that engulfed nearly half of the world's population for almost half a century. However, the emergence of a middle class in the capitalist countries by spreading the wealth to lay down the foundations of democracy.

We will debate the paradoxical features of modern markets that define contemporary capitalism: the invisible-hand metaphor of decentralized coordination, the incredible power of private ownership tethered to competitive discipline to innovate and incessantly save on labor cost, and the innovative organization of the limited-liability corporation, and the uneasy co-existence of internal bureaucracy and external horizontal market interactions. We aim to critically contemplate the making and working of the modern market-driven economic order.

Learning Objectives

COLL 100 courses are mandated to build communication skills to effectively share your substantive knowledge to various audiences through oral, written, podcast, or website presentations. At the end of this course, you will be able to:

1. Critically examine the insights and biases embedded in the Invisible Hand metaphor of how and why deeply interconnected markets have produced enormous wealth and misery over the past 250 years.
2. Appreciate the application of scientific reasoning in a social science discipline where the intentionality of the study subjects matters greatly.
3. Upgrade your presentation skills to convey nuanced ideas and interpretations clearly and persuasively to classmates, opinion makers, and the general public.
4. Develop collaboration skills for providing responsible, constructive, and practical feedback to classmates and work colleagues.

Textbooks and Readings

The four-credit course is somewhat reading intensive, but the materials are non-technical and (hopefully) fun to read. We will read the canonical classics and modern interpretations. You are expected to read for the main ideas, so do not get lost in less important details. A good rule of thumb is to scan the readings before the lectures and give them a close reading afterward. Most, if not all, books are available online from Swem. However, they are inexpensive and time-worn classics worth purchasing. Articles and chapters are available in Blackboard:

1. Robert L. Heilbroner, *The Worldly Philosophers: The Lives, Times and Ideas of the Great Economic Thinkers*, Touchstone, 1999. \$15.
2. Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time*, Beacon Press, 2001 [1944]. \$26.
3. Daron Acemoglu and James Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*, Currency, 2013. \$18.
4. William Magnuson, *For Profit: A History of Corporations*, Basic Books, 2022. \$26.
5. Abegaz, Berhanu (2023), "Economic Systems," in *Understanding Economic Transitions*, Palgrave-Macmillan, pp. 1-30.
6. Smith, Adam (1776), *The Wealth of Nations* (The Modern Library): Book I, chapters 1-3, pp. 1-21.
7. Hayek, Friedrich, "The Price System as a Mechanism for Using Knowledge," pp. 21-41.

Assessment and Grading

We need to be transparent about our mutual expectations. This course is reading intensive until the midterm. It also is a hybrid one in two senses: It combines substantive knowledge of a profound economic idea with the presentation skills needed to articulate and defend your understanding of it. As you will see in the synthesis lectures, most of the questions we will grapple with do not have definitive or authoritative answers—your informed perspective is as good as mine. This is why you will, by design, speak 70 percent of the time. Half of your grade reflects your grasp of content, while the other half reflects your multimodal presentation skills.

Communicating your ideas clearly and effectively is essential for success in academic work and on the job. In this course, we will cultivate the elements of effective presentation with the help of speech and library experts. The essential toolkit includes knowing your audience, creating a logically clear structure to convey your central message, staying on the message, using visual aids as appropriate, engaging your audience to capture attention and make an impression, and displaying self-confidence as a knowledgeable person on the subject matter.

You will do two types of presentations in the semester for a total of three:

- (1) **Critical Reading:** individual reactions to the reading materials and the lectures,
- (2) **Collaboration:** team-based participation in debates on the assigned questions, and
- (3) **Application:** individual presentation on your editorial (aimed at the Washington Post, New York Times, or Wall Street Journal) or an advisory memo to the President of the United States to explain a notable misconception about how markets work or a novel policy recommendation to solve a significant societal problem.

Although you can limit yourself to the assigned readings, you are encouraged to do additional research on suggested or self-chosen topics with the help of the supportive research librarians at Swem. Do consult the many excellent pop econ books (such as Freakonomics, and Undercover Economist) and podcasts (Planet Money, Freakonomics Radio, Capitalism's, The Economist Asks, and Upstream).

Evaluations will be based on knowledge of the content of written work and the skills with which you convey your ideas verbally. I will provide a detailed rubric for each assignment.

Your course grade will be based on your results on the midterm exam (to ensure that you have adequately digested the core readings) and the three opportunities to present your ideas and interpretations in class. Though not required, please create a website (using the free Google Sites, for example) or produce podcasts to share your thoughts and interpretations with a larger audience.

A Note on Academic Rules

Attendance is mandatory. You are strongly urged to refer to the Undergraduate Catalog for all academic rules, including attendance, the Honor Code, missing graded work, and accommodations. Since multitasking is overrated, avoid using electronic devices in class.

You are welcome to consult AI chatbots (ChatGPT, Bard, or Bing) to get you started with your presentation or writing. **User Beware:** These database-trained bots are powerful but lend themselves to plagiarism and sometimes offer non-existent references.

Syllabus and Readings

Weeks 1-7 (40% of your grade)

Economics is complex for beginners because it has a conceptual vocabulary and theoretical framework that looks too abstract. Active learning and close reading are key to success in understanding its claims. I will give one background lecture per week. The second session of the week will be devoted to student-led discussions that critique the lecture and bring fresh interpretations of the assigned readings:

- Student Response to Lecture Materials 10%

- Week 7 (Midterm Exam)

Total 30%
40%

Weeks 8-14 (60% of your grade)

For the Group Presentations, I will divide you into several debating teams. I will also provide eminently debatable resolutions and let you choose between pros and cons. For the Individual Presentations, each of you will pick a topic you found intriguing from the lectures and readings and write a short response paper. You will present your preliminary arguments and receive constructive feedback from the class. I will also provide you a list of illustrative topics to pick from.

The weights are as follows:

- | | |
|--|------------|
| • Group Debates | 10% |
| • Individual Presentation of Editorial/Memo | 20% |
| • Written Editorial/Memo | 20% |
| • Attendance and Participation (peer review) | <u>10%</u> |
| Total | 60% |

Weekly Schedule

- Week 1: The Economists’ Way of Thinking (Heilbroner, chs. 1-2; Palanyi, Foreword and Introduction).
- Week 2: Perspective 1: The Invisible Hand Metaphor (Smith, chs, 1-3; Heilbroner, chs. 3-4).
- Week 3: Perspective 2: The Double Movement Metaphor (Polanyi, Parts I-III; Heilbroner, chs. 5-6).
- Week 4: Modern Economic Systems: Capitalist and Socialist (Abegaz; Hayek; Heilbroner, ch. 9).
- Week 5: The Modern Corporation as an Organizational Innovation (Magnussen)
- Week 6: The Fusion of the Economic and the Political (Acemoglu & Robinson, all chapters; Heilbroner, ch. 11).

Week 7: → Mid-term Exam (Tuesday, October 8, 2024)

Week 8 Trip to SWEM & Guest Speaker

- Week 9: Group Debate, 1 & 2
- Week 10: Group Debate, 3 & 4
- Week 11: Group Debate, 5 & 6
- Week 12: Individual Presentations 1 and 2 (20 minutes each)
- Week 13: Individual Presentations 3 and 4
- Week 14: Individual Presentations 5 and 6

⇒ **Editorial/Memo due on December 16, 2024**

A Useful Online Glossary from The ECONOMIST--The A to Z of Economics:

<https://www.economist.com/economics-a-to-z>

See also my pedagogical notes, "The Core Principles of Economics," on Blackboard. I reserve the right to make minor adjustments to the syllabus.