

Economics for Economic Historians

OPTIONAL COURSE, Michaelmas 2022

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OBJECTIVE

Economics appears, probably more than any other social science, alien to anyone not familiar with its language and method. Still, it is one of the most dynamic, versatile, and useful approaches to the study of social behaviour. The aim of this course is to introduce researchers to the principles and way of thinking of economics. Over eight sessions, we will explore the various elements in the economist's basic 'toolbox', placing a special emphasis on how these elements are applied to describe and understand the real world. Since it does not assume any prior knowledge in the field, the course is particularly suited for graduate students who have not previously studied economics and need to understand the main concepts and the jargon used in the discipline. Students with some knowledge of economics, however, might also find it useful for reviewing concepts or clarifying ideas.

COURSE ARRANGEMENTS AND EVALUATION

Assessment for this course will take the form of a *student presentation* in Week 8 that applies the concepts covered to a topic of interest chosen by the student. Presentations should be about 10 minutes long to leave room for questions and feedback from the other students. The purpose of the presentation is to get students used to applying the concepts of economics in their own research. It has no effect on degree results.

BIBLIOGRAPHY

There is no single textbook for the course. At the end of each class, we will talk through one important paper in economics relevant to the material covered. The aim is to think through the logic from the ground up, and therefore no references will be circulated beforehand. For those interested in following up on the topic, the paper in question will be revealed at the end of class.

The topics to be discussed in the sessions are covered by a large number of good textbooks on economics. An accessible reference is:

- Mankiw, N. Gregory [2003]; *Principles of Economics – 3rd Edition* – (Thomson/South-Western)

However, most introductory economics books will serve the purpose of this course.

(NOTE: The precise edition of the book does not matter. Any student interested in a deeper knowledge of microeconomics should approach the standard reference at the intermediate level: Varian, Hal [2003]; *Intermediate Microeconomics: A Modern Approach* (Norton).)

For macroeconomics there is no standard reference, but the following books might be useful:

- Blanchard, Olivier [2003]; *Macroeconomics –3rd Edition-* (Prentice Hall)
- Sachs, Jeffrey and Felipe Larrain [1993]; *Macroeconomics in the Global Economy* (Prentice Hall)

For those interested in game theory, a thoroughly insightful book that does not require calculus is

- Osborne, Martin [2003]: *An Introduction to Game Theory* (Oxford University Press)

OFFICE HOURS

Office hours will be by appointment. Please email me at max.marczinek@economics.ox.ac.uk to set up an appointment.

CLASS SCHEDULE

As mentioned above, the course will provide an overview of the basic concepts and ideas in economics. After an introductory class that uses game theory to familiarise students with the basic concept of economic modeling, the first half of the course will deal with microeconomics, whereas the second will cover various topics in macroeconomics. Some general idea of the topics we will discuss can be found on the next page.

INTRODUCTION

WEEK 1

FPOE and Game theory

FPOE, What is a game?, dominance, elimination of dominated strategies, Nash equilibrium, simultaneous vs. sequential games, mixing strategies

Economic Modelling

Information vs. Insight, benefits and costs of abstraction, the Lucas critique

MICROECONOMICS

WEEK 2

Preferences and consumer choice

Budget sets and constraints, preferences, indifference curves, substitutes and complements, choice and utility maximization, demand

Firm behaviour and supply

The firm's problem: profit maximization and cost minimization, technology, returns to scale, supply curves

WEEK 3

Market Equilibrium

Efficiency, welfare theorems, market failures, public goods, tragedy of the commons

Prices

Allocation, scarcity, paradox of value, market power

WEEK 4

Labour and education

Demand and supply, immigration, skill premium

Asymmetric Information and Search

Signaling, search and matching

WEEK 5

Trade and Economic Geography

Trade and backyard capitalism, Ricardo, Heckscher-Ohlin, Increasing Returns

The economy in space

Spatial equilibrium, multiplicity of equilibria and path dependence

MACROECONOMICS

WEEK 6

International Macro

Exchange rates, real vs nominal, national accounting, demography

Growth

Measurement, Solow vs. Feldman, human capital and technology, endogenous growth

WEEK 7

Financial crises

Financial markets, deposit insurance, bank runs, moral hazard

Money and monetary policy

Monetary policy, expectations, inflation, central banks

WEEK 8

Student Presentations