

# Economics

SOCIAL SCIENCES DIVISION

## Faculty

Carl T. Brehm  
*Professor Emeritus*

Jay Corrigan  
*Assistant Professor*

Bruce L. Gensemer  
*Professor (on leave)*

David E. Harrington  
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James P. Keeler  
*Chair, Professor*

Kathy J. Krynski  
*Himmelright Associate Professor  
(on leave)*

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Personal fulfillment and effective citizenship require some understanding of the principles of human interaction in society. Economics is the scientific study of those aspects of social behavior concerned with choosing how best to use technology and limited resources so as to maximize individual or social welfare. Through its analysis of behavior, economics can add much to our understanding of vital public-policy issues. A grasp of the principles of economic life enables students to analyze problems such as inflation, unemployment, economic growth, pollution, monopoly power, consumer exploitation, race and gender

discrimination, strikes, urban blight, and international trade.

Economics can also be defined by its methods of analysis. In seeking to understand and predict social behavior, economists build, test, and revise models. Economics students learn to work with models of the behavior of consumers, producers, factor suppliers, and government. They study the markets in which these economic agents interact. This technique for understanding the experience of men and women in society differs sharply from the literary and intuitive methods of the humanities and fine arts.

Economics is a highly integrated discipline in which most economists work simultaneously with theory, analytical models, data, quantitative research methods, and public-policy issues. Each economics course at Kenyon introduces all of these elements, in varying mixes. The common thread among the courses is reliance on models that explain and predict human behavior. Economic understanding can also enrich our study of literature and can show how scientific methods can be used to study society. In addition, economics courses at Kenyon are designed to help students develop the ability to think in a rigorous, analytical fashion and to develop communication skills. This emphasis places economics at the heart of liberal-arts education.

## New Students

ECON 101 (Principles of Microeconomics and Public Policy) and ECON 102 (Principles of Macroeconomics and International Trade) are the complementary set of foundation courses in economics. Both are lecture and discussion courses with between twenty and thirty students in each section. The introductory courses survey theories of producer and consumer behavior and show how these theories can be used to predict the consequences of individual, business, and government actions. Current public-policy issues are also studied. Sections of these courses are taught by different instructors, using different teaching styles. All sections, however, feature several essay examinations each semester, and in most sections there are also homework assignments or quizzes and one paper. In addition to a common major text, most sections also introduce readings about current issues. These courses are an excellent introduction to economics for those who plan no further work in the discipline, but they are also the foundation and prerequisites for all upper-level courses and the first courses in the economics major.

When should one enroll in ECON 101 and ECON 102? Even though ECON 101 and 102 are challenging introductory courses, most first-year students who take these courses perform well. Those students who are most successful in the principles courses have a strong general preparation for college, reasonably good study habits, and academic motivation to keep up with reading and homework assignments every week.

There are significant advantages in taking ECON 101 and ECON 102 as a first-year student. The courses are fascinating, and they prepare one to take virtually any other economics course starting in the sophomore year. Students who are seriously considering an economics major often find this early start helpful.

Can economics majors participate in off-campus study in the junior year? Yes, but those who plan to major in economics and study off campus should seriously consider enrolling in ECON 101 and 102 as first-year students and ECON 201 and 202 (intermediate economic theory) as second-year students to provide a sound base for off-campus study.

## Requirements for the Major

Successful completion of ECON 101 and ECON 102 with a grade of at least C in each is a prerequisite for admission to the major program. A minimum of 3 1/2 additional units, for a total of 4 1/2 units within the department, is required, including ECON 201 and 202, a semester of seminar, and a course in quantitative methods. This last requirement may be satisfied by either ECON 205 (Empirical Economics) or ECON 375 (Introduction to Econometrics), both of which have a prerequisite of a college introductory statistics course. The seminar requirement may be satisfied by an economics seminar but *not* by an interdisciplinary seminar such as PPOL 440.

## The Honors Program

The Honors Program in economics provides an opportunity for more independent research and study than is available in regular courses of study. Honors candidates are required to participate in both the junior and senior honors seminars, and in ECON 375 (Introduction to Econometrics). In the honors seminars, students present and discuss with their peers the results of their research. Those interested in the Honors Program should discuss this possibility with a member of the department.

## The Senior Exercise

The Senior Exercise involves a systematic effort to understand social behavior using basic economic principles. The exercise will allow majors to gain an appreciation of the integrity of economics as a discipline. Majors must answer two essay questions. Students typically receive the questions in early December and their answers are due at the beginning of the second week of classes for the spring semester. There is also a standardized written examination and an oral examination conducted by the economics faculty members for each student who completes the written portion of the exercise. Honors majors must answer a third essay question in addition to the two which all the majors must answer. Their oral examination is conducted by an outside examiner.

## First-Semester Courses

### Principles of Microeconomics and Public Policy

◆ QR ECON 101 (1/2 unit)  
*Staff*

This course studies issues of economic choice, economic efficiency, and social welfare. The course presents theories of consumer and producer behavior and shows how these theories can be used to predict the consequences of individual, business, and government actions. Topics covered include opportunity cost, supply and demand analysis, and price controls; consumer choice; production and cost; product pricing, market structure, monopoly power, and government regulation; labor markets, wages, discrimination, and poverty; energy problems, resource conservation and pollution; and foreign trade. This course is required of students who major in economics.

### Microeconomic Theory

QR ECON 201 (1/2 unit)  
*Tretheway*

This course offers an intensive study of the internal structure of a market

economy. Theories of consumer behavior, production, exchange, the determination of prices and wages, and income distribution are examined. Market performance is evaluated with reference to the efficiency with which resources are allocated. Prerequisites: ECON 101 and ECON 102.

### Special Topic: China's Economic Reform, Open Policy, and the Global Consequences

ECON 333 (1/2 unit)  
*Xu*

After thirty years of following a classically defined socialist planned economy, China started an economic experiment in 1978. This course will explore a number of questions related to this development. What motivated China to move away from its Communist planned economic framework toward a new socialist market economy? What are the aims of China's policy? Economic reform entailed opening China's economy to world markets: how will this affect the country's competitive position? Will openness destroy an economy long based on isolation? Will it inject new energy into its economy? Other questions stem from the fact that while the new open policy required greater global cooperation, it also produced a number of controversies involving China and major economic powers such as the United States and Japan. The course will examine China's role in world trade over the past twenty years, as well as the role it is likely to play as a new member of the World Trade Organization. The political ramifications of economic reform will receive attention as well. The freedoms accompanying reform represent not only an attack on the old economic system but also a push for political change. What kinds of political reforms have taken place, and what further reforms can be expected? Prerequisites: ECON 101 and ECON 102 or permission of the instructor.

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**Money and Financial Markets****QR** ECON 343 (1/2 unit)*Melick*

This course examines U.S. money and financial markets and their interaction with and influence on prices, real output, employment, and international trade. After an extensive discussion of fixed income pricing and the term structure, the class will consider the operations of financial institutions and the Federal Reserve System. The implementation of monetary policy and its effect on domestic and foreign financial markets, real output, and foreign trade will also be examined. In addition, alternative domestic and international monetary arrangements will be considered. While completing assignments, students will make fairly heavy use of a spreadsheet program such as Excel. Prerequisites: ECON 101 and ECON 102, or permission of the instructor.

**Economics of the Public Sector**

ECON 347 (1/2 unit)

*Corrigan*

This course is a study of the public sector in the U.S. economy, featuring government provision of public goods, redistribution of income, and taxation. Students consider the theory that justifies government intervention in a market economy, as well as the reasons for government's tendency to create economic inefficiencies. Specific expenditure programs such as defense, health care, education, social insurance, and welfare are studied, as well as specific taxes. Each student writes a term paper. Prerequisites: ECON 101 and 102 or permission of instructor.

**International Economics****QR** ECON 349 (1/2 unit)*Xu*

Students study the nature and consequences of international economic relations. Specialization and exchange are examined by reference to the theory of comparative advantage. Government policies such as tariffs, quotas, and exchange controls are studied, with an emphasis on their effects on incomes

and welfare. Prerequisites: ECON 101 and ECON 102, or permission of the instructor.

**Introduction to Econometrics****QR** ECON 375 (1/2 unit)*Staff*

This seminar will study the empirical testing of economic models. Emphasis will be given to linear-regression techniques, special problems associated with estimating economic relationships, and interpretation of the results. Each student will undertake and report on a research project. Prerequisites: a semester of college statistics, ECON 101 and ECON 102, or permission of the instructor. Enrollment limited.

**Special Topic: Organization of the Firm**

ECON 391 (1/2 unit)

*Rodriguez*

For some time economists have realized that the standard micro-economic model of the firm as a monolithic profit-maximizing unit is not a satisfactory description of a complex reality in which large corporations, some of them as large as developed national economies, share with markets and governments critical responsibilities in the allocation of resources. In this course, we view firms as complex organizations involving the interaction of many agents with diverse goals, abilities, and information. We will examine the role of the price system in allocating resources within the organization, its failure due to economies of scale and scope, and the role of alternative coordination methods. We will also examine internal contracting under bounded rationality and asymmetric information (adverse selection and moral hazard), efficient provision of incentives, internal labor markets, financial decisions, the role of information and incentives in explaining capital structure and corporate control, and the determinants of the size and boundaries of the organization. Prerequisites: ECON 101 and ECON 102, or permission of the instructor.

**Individual Study**

ECON 393/493 (1/2 unit)

*Staff*

This course is for students who wish to do advanced work beyond regular courses or to study subjects not included in course offerings. Prerequisites: ECON 101, ECON 102, and permission of both the instructor and the chair of the department.

**Junior Honors Seminar****QR** ECON 397 (1/2 unit)*Keeler, Melick*

This course is for juniors who are candidates for honors in economics. Students undertake a series of research projects, write papers, and discuss the results of their research with fellow students. Prerequisites: junior standing and permission of instructor.

**Capstone Seminar in Public Policy: Race, Poverty, and Inequality**

PPOL 440 (1/2 unit)

*John Elliott, professor of political science; Tretheway*

This seminar brings together a political scientist and an economist to consider how these disciplines analyze and understand public policy. First we will explore public policy and institutions from the general perspective of the two disciplines, examining their contrasting approaches and attempting to find common ground. Then we proceed to study in depth the complex issues of race, poverty, and inequality. We will examine competing understandings of the problems and various efforts of government to solve or alleviate these social, economic, and political conditions. Throughout, we will pay attention to the question of what the knowledge and perspectives from both economics and political science contribute to our understanding of the problems and the policies governments debate, reject or adopt, and seek to implement. Students write a major paper in close consultation with the faculty. The course is required for students completing the Public Policy Concentration, and it is open to other seniors. Prerequisites:

ECON 101, ECON 102, and one course in American politics, or permission of instructors. Enrollment limited.

**Senior Honors Seminar**  
**QR** ECON 497 (1/2 unit)  
*Keeler, Melick*

This course is for seniors who are candidates for honors in economics. Prerequisites: senior standing and permission of instructor.

## Second-Semester Courses

**Principles of Microeconomics and Public Policy**  
◆ **QR** ECON 101 (1/2 unit)  
*Staff*

See first-semester course description.

**Principles of Macroeconomics and International Trade**  
◆ **QR** ECON 102 (1/2 unit)  
*Staff*

This course studies national economic performance. Building upon the microeconomic theories of consumer and producer behavior developed in ECON 101, the course introduces models that focus on the questions of unemployment, inflation, and growth. Topics covered include measurement of national income and inflation, macroeconomic models, saving and investment, money and banking, fiscal and monetary policy, and international trade and finance. This course is required of students who major in economics. Prerequisite: ECON 101.

**Macroeconomic Theory**  
**QR** ECON 202 (1/2 unit)  
*Keeler*

This course is a theoretical and applied study of the level of national income and employment. The performance of the economy, in terms of prices, interest rates, unemployment rates, international trade relations, business cycles, and the long-run growth of income, has significant effects on our standards of living. The course will offer explanations of macroeconomic performance in these

aspects. Diverse schools of thought exist, distinguished by theoretical concepts, priorities in performance goals, and empirical evidence. The course will consider these approaches and also emphasize the microeconomic foundations of macroeconomic theory. Government is active in the management of both domestic and international aspects of the macroeconomy, and the course will consider the current public-policy issues and historical economic events. Prerequisites: ECON 101, ECON 102, and ECON 201, or permission of the instructor.

**Empirical Economics**  
**QR** ECON 205 (1/2 unit)  
*Keeler*

Students learn how to express economic concepts in quantitative terms, perform basic statistical measures and tests of hypotheses using a spreadsheet program, and interpret quantitative presentations of information. Students will learn how the economics literature presents research by studying examples from journal articles. Students also study the choice of appropriate methods for analyzing empirical economic research questions. Topics include the scientific method, applications of statistical concepts in economics, measurement of economic concepts, and the use of mathematical models, graphs, and data sources. All economics majors, beginning with those declaring the economics major during the 2000-2001 academic year, will be required to take either this course or Introduction to Econometrics. Prerequisites: ECON 101, ECON 102, and a college course in statistics, or permission of the instructor. Enrollment limited.

**Economics of Development**  
**QR** ECON 331 (1/2 unit)  
*Xu*

Students examine the economic conditions and problems of the Third World. Alternative theories of economic development are studied, as are strategies for achieving development goals. Specific topics include the meaning of development; historical and

theoretical perspectives; income distribution; agriculture, population, and human resources; industrialization, employment and technology; urbanization and migration; foreign trade, investment, and aid; and government planning. Prerequisites: ECON 101 and ECON 102 (or ECON 102 concurrently), or permission of the instructor.

**Environmental Economics**  
**QR** ECON 336 (1/2 unit)  
*Corrigan*

This course will use economics to understand better the nature of environmental issues and the choices concerning the use of natural resources. The course will also examine the economic rationales for policies aimed at improving the quality of the environment and altering our use of natural resources. The choice between alternative policies to achieve similar objectives will be discussed using a series of case studies of actual policies aimed at correcting environmental problems. Prerequisites: ECON 101 and ECON 102, or permission of the instructor.

**Portfolio Allocation and Financial Asset Pricing**  
**QR** ECON 337 (1/2 unit)  
*Melick*

This course examines the optimal allocation of an individual's wealth among risky financial assets and the related question of the pricing of these risky assets. After a consideration of various measures of risk and return, modern portfolio theory is used to derive the capital asset pricing model. The empirical performance of the capital asset pricing model will be analyzed and alternative asset pricing models will be discussed. Throughout the course, equity shares will be used as a particular application. (The pricing of fixed income assets is left to ECON 343 Money and Financial Markets.) The remainder of the course is spent on derivative assets, most importantly futures and options. Time permitting, options will be treated in some detail, concluding with a discussion of the Black-Scholes option pricing model. While

completing assignments, students will make fairly heavy use of a spreadsheet program such as Excel. Prerequisites: ECON 101 and ECON 102, or permission of the instructor. Recommended: MATH 106.

**Economic Analysis of Politics and Law**

ECON 345 (1/2 unit)  
*Trethewey*

This course uses economic analysis to explain political and legal phenomena such as voting behavior, special-interest-group activities, the development of property rights, institutional change, economic justice, and the interactions of law and economics. Prerequisites: ECON 101 and ECON 102, or permission of the instructor.

**Industrial Organization**

ECON 346 (1/2 unit)  
*Rodriguez*

This course provides an introduction to industrial organization, a field that focuses on how firms, interacting through markets, attempt to exploit opportunities for profit. The standard models of perfect and imperfect competition are examined, emphasizing the strategic behavior of the interacting firms. Topics include pricing models, strategic aspects of business practice, vertical integration, and technological change. Prerequisites: ECON 101 and ECON 102, or permission of the instructor.

**Special Topic: Game Theory**

ECON 356 (1/2 unit)  
*Rodriguez*

This course provides an introduction to the analysis of strategic behavior in multipersonal economic settings. The basic normal and extensive form representations of a game are applied to the analysis of static and dynamic strategic interactions, under a variety of informational assumptions. Students will use these concepts to study several problems in industrial organization, theory of the firm, bargaining and exchange procedures, regulation, economics of the law, and so forth. Prerequisites: ECON 101 and ECON 102, or permission of the instructor.

**Introduction to Econometrics**

QR ECON 375 (1/2 unit)  
*Melick*

See first-semester course description.

**American Economic History**

ECON 383 (1/2 unit)  
*Trethewey*

This seminar examines the American past with special emphasis on issues such as the influence of the Constitution on economic growth, welfare, and income distribution; the economics of slavery and the post-emancipation plight of blacks in the economy; and twentieth-century economic policy with special emphasis on the Great Depression. Each student will write and present a seminar paper. Prerequisites: ECON 101 and ECON 102, or permission of the instructor. Enrollment limited.

**Individual Study**

ECON 394/494 (1/2 unit)  
*Staff*

This course is for students who wish to do advanced work beyond regular courses or to study subjects not included in course offerings. Prerequisites: ECON 101, ECON 102, and permission of both the instructor and the chair of the department.

**The following courses may be offered in 2003-04:**

- ECON 101 Principles of Microeconomics and Public Policy
- ECON 102 Principles of Macroeconomics and International Trade
- ECON 201 Microeconomic Theory
- ECON 202 Macroeconomic Theory
- ECON 205 Empirical Economics
- ECON 331 Economics of Development
- ECON 332 Russian Economic History
- ECON 336 Environmental Economics
- ECON 337 Portfolio Allocation and Asset Pricing
- ECON 342 Economics of Regulation
- ECON 343 Money and Financial Markets
- ECON 344 Labor Economics

- ECON 345 Economic Analysis of Politics and Law
- ECON 346 Industrial Organization
- ECON 347 Economics of the Public Sector
- ECON 349 International Economics
- ECON 351 Managerial Economics
- ECON 355 Business Cycles
- ECON 371 History of Economic Thought
- ECON 372 Macroeconomic Policy
- ECON 375 Introduction to Econometrics
- ECON 377 Economics of Regulation
- ECON 378 Economics of Women and Work
- ECON 397 Junior Honors
- PPOL 440 Senior Seminar in Public Policy
- ECON 497 Senior Honors