Teaching the First Economics Course as if it is the Last

Dwight R. Lee
Southern Methodist University

It is an honor and a pleasure to contribute to this volume in honor of Jim and Lynne Doti. The honor is in joining the truly distinguished group of fellow contributors who appreciate the friendship of Jim and Lynne and their contributions to higher education. The pleasure is in taking advantage of the stated task to consider the way in which economics can play a major role in ensuring a healthy future for American academia, and I might add, for America as a whole. In particular, I shall concentrate on the teaching of an introductory economics course, and why I believe an important opportunity is being missed because of the way it is commonly taught at the university level.

In 1991, Jim and I edited a book called *The Market Economy: A Reader*. The book was motivated by a belief that students being introduced to economics would benefit from focusing on relatively few basic ideas and topics, reading passages from the most celebrated classical liberal economists, and, of course, from some short articles by Jim and myself. A more suitable justification for including our articles is that both Jim and I are convinced that stories are an effective way of teaching almost any subject, and are underutilized in introductory economics courses. So when Jim came up with the idea for our book, and kindly suggested that I work with him on it, we decided to intersperse some of the short articles we had published separately in *The Freeman* to help illustrate the insights of the more renowned economists. I should acknowledge that Jim's articles, based on interesting personal experiences, such as trying to get groceries in Chicago "during the 'Great Snowstorm' of 1967 — a storm not to be confused with the 'Great Chicago Snowstorms' of 1968, 69, 70 , . . 81", contain far better stories than mine do (Doti & Lee, 1991, p. 5).

Teaching the First Course as the Last

The introductory economics course is usually taught as if it is the student's first course in the sense that it is the first of several economic courses the student will take. Even though this is seldom the case, as professors are surely aware, the tendency is to treat the first course as if its primary function is to prepare students for later courses.

Unfortunately, as the late Paul Heyne (a legendary economics teacher at the University of Washington) was fond of saying (and I paraphrase here), if the introductory course is taught as if it is the first course, it is highly likely to be a student's last course. But if it is taught as the last course a student will take, he or she is more likely to find it interesting, learn more, and take additional economics courses.

I am not suggesting that there should be more economics majors. Simple economic reasoning suggests that there can be too many, as well as too few, economics majors. My concern is that the introductory economics course is usually a student's only opportunity to be taught to recognize the fallacies in so many of the economic assertions they will be bombarded with by special-interest groups, politicians, and charlatans of all varieties, as well as by well-meaning friends and neighbors. I don't believe this is happening in most introductory courses because they are typically taught as if their purpose is to provide students with the technical training needed in more advanced courses.

The natural question is: why the tendency for the emphasis on technical training in the introductory course? The most obvious answer is that the course is commonly taught by young professors who are not long out of graduate school, where their survival depended on mastering highly technical material. And once they get a tenure-track job, they know that getting tenure depends on being published in prestigious journals, which requires writing highly technical articles. For most of these younger professors, mathematics and statistical techniques are what economics is all about. It is not much of an exaggeration to say that *the most important thing economics students learn in graduate school is how to take simple ideas and render them completely incomprehensible*. Not surprisingly, introductory economics students are confronted with black boards (PowerPoint presentations) containing numerous diagrams and equations, often supplemented with some simple mathematics (but a little calculus cannot be ruled out), which leaves many students immediately bewildered and soon bored. It can be argued that this approach to teaching is influenced by the textbooks available for principles courses, most of which are encyclopedic in length, full of diagrams, with a little math sprinkled here and there. This is obviously true, but the type of textbooks available are heavily influenced by preferences of professors, who are often not very concerned about what most students are prepared to understand. The desire for a highly technical introduction to economics is not limited to those teaching the course, or even to those who are teaching higher level economic courses. For example, I taught MBA students the only economics course in their program. Some of the students had highly technical backgrounds, but most did not, though they were quite capable of learning the material in the type of course I describe in this paper; one with lots of stories, a few simple diagrams, and no math. A group of finance professors, however, thought I should be preparing my students to take their courses instead of teaching economics, and they put pressure on me via the Dean's office to start using calculus in my course. I was able to effectively resist that pressure. An untenured professor would have had more difficulty doing so. The result, however, is that "difficult" and "boring" are common descriptions of the introductory economics course.

Consider four examples of the type of analysis encountered in most principle textbooks. First, indifference curves are used to show with theoretical rigor that demand curves are, with only an improbable exception, downward sloping. Downward

sloping demand curves are important to economic understanding but, given their plausibility, developing the theoretical basis for them takes time away from discussions that are far more important, and easier to understand, in the introductory course. Yet many textbook writers and professors cannot resist using indifference curve analysis to demonstrate the improbable exception that the consumption of a good might increase when its price increases. A common example of this is the consumption of potatoes during the Irish potato famine when the price of potatoes increased because of a large reduction in the availability of potatoes to consume. Second, the graphical depiction of a firm's long-run cost curve is the envelope of all the short-run costs curves of a firm. One of the highlights, at least for professors, of this analysis is that in the short-run it is seldom a good idea for the firm to produce the output that minimizes its short-run cost. Third, it can be shown, and often is, that imposing a minimum wage can motivate a firm to hire more workers if the firm is the only employer in a community, and no workers in the community leave and no workers outside the community enter in response to changes in the wages paid. This result is driven by the change in the firm's marginal cost of labor caused by imposing a minimum wage, but it is devoid of any reasonable policy significance. Finally, demand curves with a kink at the prevailing price have had an enduring appeal to principles professors and textbook authors despite providing an explanation for a rare, if not imaginary, possibility. The possibility is that a firm's marginal cost curve can move up or down within a wide range without having any effect on the output that maximizes a firm's profit because the kink in the firm's demand curve creates a gap in its marginal revenue curve. This possibility, and the analysis that explains it, is far more fascinating to professors than it is to students. It should be noted that one of the things professors like about these, and other, analytical exercises found in introductory textbooks, is that they lend themselves to questions that have numerical answers, or to multiple choice questions, both of which make grading exams easy.

What these types of analytical examples don't do is provide students with a basic understanding of why some real-world economies are successful and others are not—an understanding that every student in an introductory economics course should have by the time the course is over. This understanding can be acquired with examples and stories that introduce and illustrate a few critical concepts such as scarcity, opportunity cost, marginalism, demand and supply curves, and the role of market prices in making it possible for many millions of strangers to cooperate with each other. The way the introductory course is commonly taught now, not only will many students fail to understand the diagrams and equations, but those who do will likely get an impression of what is required for a successful economy that is terribly wrong.

A Global Network of Cooperation

Much that students learn, or think they learn, from most of the analytical exercises found in most introductory courses is that a successful economy depends on experts with good intentions who know how to manipulate economic decisions in ways that correct problems that would otherwise exist. Those experts would know things like how to break up monopolies to increase competition, regulate the prices of other (natural) monopolies where competition isn't feasible, create monopolies in some

labor markets to equalize bargaining strength between employees and employers, tax some activities to make sure they are operated where marginal social benefits and costs are equal, subsidize other activities to stabilize prices for the benefit of consumers, fine-tune economic activity with monetary and fiscal policies to smooth out business cycles, and reduce poverty and income inequality by transferring money from the wealthy to the poor. It is easy to conclude that economic success depends on electing well-intended and informed politicians so they can enact the policies authorizing the experts to properly control the economy, and make sure they do so.

Without explicit arguments to the contrary, such top-down economic control seems reasonable to most students. Most of the accomplishments they observe appear to result from people knowing what they are doing and intentionally taking action to accomplish particular objectives, such as preparing dinner, taking a vacation, stocking the local grocery store, constructing a high-rise building, and making an automobile. If the student follows politics, he or she sees politicians promising to improve the economy with particular policies, and thereby becoming easily convinced that those politicians, at least those the student agrees with, keep their promises by either making things better, or preventing things from getting worse despite the obstruction of opposing politicians with questionable intentions.

The belief that economic success results from top-down control, motivated by good intentions, is a common misconception that a good introductory economics course can replace with an understanding of what a successful economy requires. Early on, students need to recognize how complicated it is to produce, and make conveniently available, the goods and services that we depend on every day. For example, no person, or group of experts, no matter how capable they are, can make and deliver all of the products that are waiting for us at the local supermarket when we want them. All those products have to be produced from scratch, and that requires literally billions of people, trained in thousands of highly specialized occupations, to somehow coordinate their productive efforts through a global network of cooperation. Making even the simplest product with the quality, and at the cost, we take for granted would overwhelm the ability of any one person. For example, Read (1958) gave a detailed account of the need for a multitude of people with many highly specialized skills to cooperate on a global scale to make something as simple as a wooden lead pencil, and make it conveniently available for a trivial amount of money. Thwaites (2011), meanwhile, chronicled his attempt to make an electric toaster from scratch. After nine months of doing such things as digging iron ore, smelting metal at home, and realizing the hopelessness of actually making plastic (as well as a few other items) from scratch, Thwaites succeeded in making a toaster, almost from scratch, at a cost (not counting the opportunity cost of his time) 250 times more than a far better toaster he could have bought at a neighborhood store. Of course, the problem is not just producing goods and services, but producing them in the quantities and combinations that consumers prefer, which requires that the decisions of all producers and consumers be coordinated.

Achieving this impressive amount of global cooperation, which occurs without any one person, or group of people, being in charge, and which generates patterns of outcomes that no one intends or can accurately foresee, is the fundamental economic problem. As the late Nobel Laureate James Buchanan (1964) argued, explaining how

this cooperation takes place is the primary task of economists. I would add that it should be the primary objective of an introductory economics course. Making students aware of the magnitude of the economic cooperation needed in a successful economy will surely spark the interest in many for an explanation of how this cooperation is possible. Fortunately, this explanation does not require a highly technical approach so common in introductory courses.

Information, the Invisible Hand, and its Alternative

Understanding how huge numbers of strangers can cooperate requires considering how the information that is distributed in tiny fragments in the minds of people scattered all over the planet can be aggregated and communicated to those who can make the most productive use of it, and is done so in a way that motivates them to do so. A good way to begin this understanding is by using the concepts of scarcity, opportunity costs, and marginalism to introduce the demand and supply diagram, showing how market prices that emerge from market exchanges result in the amount of goods that producers supply equaling the amount consumers demand. Of course, this process is simultaneously dealing with many thousands of products under constantly changing conditions, so it seldom achieves complete equality of amount supplied and amount demanded. But the information and incentives communicated by market prices results in an unintended pattern of market cooperation that is far more socially beneficial than could ever be intentionally created by government planning.

The market cooperation needed for a successful economy can be illustrated with real-world stories. Without elaborating on the full range of the different types of this cooperation, consider cooperation between consumers, which can be illustrated in Jim Doti's story about the "Great Chicago snowstorm of 1967" (Doti & Lee, 1991, p. 5-6). After struggling through the snow to get lunch and some groceries at his favorite deli, Jim found it closed and had to continue the struggle until he was able to find a store that was open. He was delighted until, after filling his cart with groceries, he discovered that prices had been temporarily doubled. His first reaction was to walk out and look for another store, but good sense prevailed (he was studying economics at the University of Chicago) and he put the "Coke, Twinkies and Snickers" and some of the "other necessities of life" back on the shelves. By doing this, Jim was acting as if he was as concerned for others, without knowing who they were, as he was for himself. The higher prices were the best measure of the higher marginal values other consumers realized from the items Jim was thinking of buying for himself. Thus those prices gave him the information and motivation not to buy (to share with others) additional units of products when others valued another unit of them (as reflected by the price) by more than he did. We all share with millions of others this way every day, as millions of others share with us, and it is done so routinely and unintentionally that we don't think of it as sharing. The result is an unintentional pattern of cooperation between consumers that is far more socially beneficial than any intentional distribution of goods and services, no matter how public-spirited the intention.

Such examples of market cooperation tie in with discussion of Adam Smith's "invisible hand" made famous in his 1776 book. As impressive as the invisible hand is, however, it doesn't work perfectly, and any introductory course that highlights the

operation of the invisible hand has a duty to consider market failures. Governments don't work perfectly either, however, and given the prevailing view that market failures automatically justify government interventions to correct those failures, government failures should be given as much attention as market failures. With rare exceptions, this is not the case in introductory economics courses and textbooks, with market failure given far more emphasis than government failure (Fike & Gwartney, 2015; Eyzaguirre, Ferrarini, & O'Roark, 2014). This gap would be eliminated in the type of principles course I recommend, by the discussion of several points that can be understood without resorting to complicated diagrams.

First, what are seen as market failures are often the result of markets performing properly by redirecting scarce resources out of less valuable and into more valuable employments in response to such things as changing preferences and technological improvements. Such resource movements necessitate some unemployment, bankruptcies, and other financial reversals that many see as market failures. Second, many failures in markets are caused by government interventions, such as price controls, subsidies, and a host of regulations that create waste, shortages, and unnecessary unemployment and poverty, by undermining market cooperation. Third, most wasteful government interventions are the result of organized groups using their political influence to "purchase" benefits from the government that are more than offset by the greater cost imposed on those who are not a party to the transactions — the general public. This is a clear example of a negative externality that is probably the most commonly cited example of a market failure, but which is a ubiquitous feature of government action. Finally, classroom discussions and principle textbooks point to the lack of perfect information as a market failure. Of course, whether we are considering the information that informs market decisions or political decisions, it will never inform people completely of all the costs and benefits of the decisions they make. But the fundamental reason economies relying primarily on markets are more successful than those that rely heavily on government controls is that market prices communicate better information for making sound economic decisions than voting, lobbying and government mandates do. This provides the clearest and most powerful explanation of government failure and the reason why, when governments attempt to correct market failures, real or imaginary, they more often make things worse instead of better.

It is true that there are examples, such as pollution, where market failure is really the result of the absence of markets, and in these situations government action can be beneficial. For example, when pollution is a problem, a given level of environmental improvement could be achieved at the lowest cost if governments created markets for the right to pollute. But when, as is typically the case, government begins replacing market information and incentives with bureaucratically determined prices (really arbitrary reimbursement rates), detailed regulations and political mandates, it takes an impressive leap of faith to believe that market failures are being corrected.

Moral Concerns

While the introductory course I advocate will be more interesting and more easily understood by more students than the course as it is typically taught, there will be resistance from some on moral grounds. Jim recognized this moral resistance early in

our book when he pointed out that the force that motivates these benefits are difficult to reconcile with "any system of morality that can be described as Christian" (Doti & Lee, p. 5). Jim's focus is on the self-interest that is highlighted in Adam Smith's famous statement about getting dinner from the butcher, the brewer, or the baker, not from their benevolence, but from their self-interest, which he quotes in full. Jim also quotes Smith's more famous "invisible hand" passage to the effect that by pursuing their own gain in markets, people unintentionally do more to promote the public interest, than if they intended to promote it. There is more than self-interest that is seen in moral conflict with the invisible hand, however. We all find morality appropriate for small groups (such as our families, our friends, and small communities) emotionally appealing. Throughout most of human history, people have lived in small groups of hunters and gatherers that consisted of 100 to 150 others, and developed a sense of morality that facilitated the survival of people who depended entirely on their ability to personally cooperate with each other. It is worth noting that hunter-gatherer bands split up when their numbers exceeded roughly 150 people, indicating that beyond that number personal cooperation becomes less effective (Christakis & Fowler, 2011, pp. 247-249). That morality (which I have referred to in several papers as magnanimous morality) requires our willingness to *intentionally* help others at some *sacrifice*, with that help ideally provided *personally* to *identifiable* beneficiaries (i.e., Lee, 2013, 2014). The invisible hand of the market violates every one of those requirements. The help provided through the invisible hand, is motivated by *gain* and not sacrifice; provided *unintentionally*; provided through impersonal markets; and promotes the *public interest* (instead of the interest of an identifiable person or group).

The result is that no matter how well one makes the case for markets as the best means for achieving what are widely recognized as moral outcomes, some will be emotionally resistant to accepting that case because of their moral hostility to markets.

Consider two examples. First, it is difficult to find someone who doesn't favor conservation. Ask people if they favor speculation, however, and the response is almost always negative, despite a compelling economic case (backed up by clear evidence) that, by responding to anticipated market prices, speculators unintentionally conserve resources more efficiently than government does by deliberately trying to control resource prices or resource decisions. The fact that speculators are motivated by self-interest, not by any intention to conserve resources, causes most people to dismiss the idea that the activity of speculators is socially beneficial. Second, consider the strong moral appeal of barn raising (the only thing most remember from the 1985 movie, *Witness*), where people come together in the spirit of community to help a neighbor rebuild a barn or other structure. Most people would agree that it would be nice if such help could be expanded, with more people involved in providing such help to a wider group of beneficiaries. It has been! It's called insurance, with help being provided by money from the premiums paid by millions, which allows rebuilding to be done by professionals who know what they are doing, with fewer people falling off ladders and hammering their thumbs. But this help is motivated by profit, and not provided personally, and when thinking about insurance companies, *morally appealing* doesn't usually come to mind.

It is easy to see how those with little understanding of economics are vulnerable

to arguments that we can have an economy based on the magnanimous morality of the family without having to depend on the invisible hand of the marketplace. Many are persuaded, for example, by popular authors such as Rifkin (2014) who argued that we are moving into a "Collaborative Age" as we experience "an expansion of empathy to *include the whole of the human race as our family*," resulting in the quick elimination of "the remaining ideological, cultural, and commercial boundaries that have long separated 'mine' from 'thine' in a capitalist system mediated by property relations, market exchanges, and national borders" (p. 302-303).

Even economists who recognize the superiority of free markets over government planning can have difficulty giving up the hope of having an economy without what they see as the moral deficiencies of markets. The late Robert Heilbroner, for example, after years of championing socialism, responded to the collapse of the Soviet Union by admitting that "capitalism has been as unmistakable a success as socialism has been a failure" (Boaz, 2005). Yet, he still held out hope that the successes of capitalism could be achieved without its moral shortcomings (Newport, 2015).

Admittedly, some beginning economics students are captivated by the counter-intuitive arguments that by harnessing the power of self-interest, markets do more to generate moral outcomes unintentionally than could ever be generated intentionally. Yet, confining the moral argument for markets to the morality of market outcomes will leave many unpersuaded since they will see those outcomes contaminated by an immoral process. The moral case has to be made by first pointing out that the market process is based on a moral foundation, although it is a morality without the emotional appeal of magnanimous morality. It has to be shown that the morality of the market process is not only compatible with the magnanimous morality of the small group, but works to complement that morality to enrich our lives to a greater degree than either morality can do alone.

I have referred to the moral foundation of the market as mundane morality, which is briefly described as obeying the rules or norms of conduct which are widely accepted and generally beneficial, such as being honest, honoring one's promises and contractual obligations, treating others with courtesy and respect and refraining from violating their legitimate rights. This is the morality of large groups, and is essential to the widespread cooperation that properly functioning markets provide, and upon which our prosperity and freedoms depend. It should be pointed out that enforcing general adherence to this morality is an important function of government.

The importance of magnanimous morality hardly needs discussion. Few fail to recognize the enormous satisfaction we are able to receive only from the love and commitment we have for our family and friends and that they have for us. Within the small group we care most about, magnanimous morality is the basis for the only reasonable way to achieve the reciprocity and cooperation necessary for harmonious and rewarding relationships. Any effort to base the relationships between people who care for each other on the formal rules and contractual obligations of mundane morality would destroy those relationships and the happiness they provide. The assumption that people are motivated primarily by self-interest, commonly associated with Adam Smith and economists, is useful when analyzing behavior in impersonal dealings with strangers across markets. Of course, market transactions commonly occur frequently

between the same people who deal with each other as friends, partly because it is the most profitable way to conduct business, but also out of genuine friendship. It should also be pointed out that Adam Smith's (1759) first book, *The Theory of Moral Sentiments*, which considered how people deal with each other in personal settings, typically small groups, emphasized the sympathy and concern in our relationships with others. It is in his second book *The Wealth of Nations*, where Smith (1776) was concerned with how people coordinate their actions within large groups (extended markets), and it is in this book that he emphasized the motive of self-interest. But few economists believe that the cold, calculating "economic man" who is motivated only by self-interest, and populates economic textbooks, is a complete description of real people, at least not many of them. As the well-known economist, Ken Boulding (1969), stated, "No one in his senses would want his daughter to marry an economic man, one who counted every cost and asked for every reward, was never afflicted by mad generosity or uncalculating love, [. . .] economic man is a clod" (p. 10).

We all benefit from the efforts of many people all over the world whose efforts on our behalf are not motivated by "mad generosity or uncalculated love." As Smith (1759) pointed out, "in civilized society [each] stands at all times in need of the cooperation and assistance of great multitudes, while his whole life is scarce sufficient to gain the friendship of a few persons" (p. 26). We would be pitifully poor if we couldn't enlist the impersonal help of those "great multitudes" and so would those we care for and who depend on our magnanimous morality (Smith, 1759, p. 26). The only way we can mobilize the productive effort of many millions of strangers for our benefit, however, is by providing them with the benefits of our productive effort through the global cooperation and impersonal reciprocity made possible by the mundane morality of markets. The implication is clear — magnanimous morality and mundane morality can work together to increase the sum of benefits we receive from either one or the other. Unfortunately, the emotional appeal of the former morality motivates government attempts to expand it beyond its appropriate limits; attempts that are undermining the benefits of the latter morality, and thus the benefits of both.

To illustrate, consider two situations. In the first, we are able to help our few loved ones and close friends with our own unspecialized efforts. But we can do nothing to assist the multitude of strangers whom we don't know and will never meet, and we can expect no assistance from them. In the second situation, we are able to help hundreds of millions of strangers improve their lives through our highly specialized efforts, with our help being reciprocated by them, allowing us to do far more for the few we know and love than is possible in the first situation. It is difficult to imagine anyone preferring the first situation over the second. Yet, because the reaction to the magnanimous morality of small groups is emotionally elevating, while the self-interest of mundane morality and market exchange is widely viewed with repugnance, well-meaning people commonly vote for politicians who promise a more compassionate and caring economy. The result has been to hamper the market cooperation that, over the past two centuries, has allowed us to escape the poverty that is guaranteed by situations like the first, and enrich our lives, both morally and materially, by moving to situations like the second.

Any introductory economics course designed to promote the greatest understanding

of the tremendous advantages we all realize from the invisible hand has to confront the widespread skepticism that exists about the morality of markets. No one would argue that the moral argument just presented will overcome the resistance of all students to the strictly economic argument for markets. But by exposing students to a serious argument on how the mundane morality of markets enhances, and is enhanced by the magnanimous morality of small groups, more of them are likely to complete the introductory course with a solid understanding of, and appreciation for, the market process.

Contributing to the Academy

Assuming that my suggestions for teaching the introductory economics course will result in more students receiving a good understanding of basic economics, I now suggest how that could contribute to the academy. My suggestions are rooted in something for which there is broad agreement on university campuses, at least as measured by the verbal support it receives (i.e., the importance of critical thinking). Given the number of economic myths that have achieved the status of revealed truth in the minds of many, an economics course provides a wonderful opportunity to teach students how to begin thinking critically about much that he or she hears routinely on most university campuses, and beyond.

Consider some of the critical-thinking contributions a student, having taken a good introductory economic course, could make in other courses. When the importance of social cooperation is mentioned (possibly in connection with some diversity program) a student could point out that the most effective force for social cooperation is markets and the prices that emerge from the voluntary exchange of private property, and back it up with a comment about the multitudes of people who had to cooperate with each other in order to make the coffee available at the diversity meetings. The student can follow up by commenting that diversity, broadly considered, increases the gains from specialization and market exchange that harmonizes the differences between people—something worth celebrating. On the other hand, when our differences are politicized, they are likely to end up being "celebrated" with some very high-powered fireworks. Also likely to come up is income redistribution to help the poor, which of course almost always means government redistribution. Again, a student can make an unexpected contribution to the class by making the point that markets are constantly redistributing income and doing it more effectively than government if the objective is reducing poverty. Markets redistribute income from less productive to more productive activities, while government redistribution is typically in the other direction. Government transfers large amounts to the poor in ways that adversely affect their incentives to engage in productive activity, although many overcome those incentives. But the larger amount of government transfers go to those who are not in fact poor, with much of the transfers going to the wealthy for doing unproductive things at excessive cost, like growing cotton in the desert, or producing so-called green energy.

One of the silliest examples of uncritical thinking on campuses is the lemming-like tendency to blame such things as high prices, financial bubbles, recessions, income inequality, global warming and high salaries for CEOs on greed. Of course, we all have a healthy regard for our own self-interest. As Smith (1759) stated, "Every man is, no doubt, by nature, first and principally recommended to his own care; and as he is fitter

to take care of himself than of any other person, it is fit and right that it should be so" (p. 82). So our student might point out that "greed" is a ubiquitous influence and blaming high prices, for example, on greed provides the same deep insight as blaming a plane crash on gravity or a burning building on oxygen. Said student might ask why those who blame rising gas prices on greedy oil companies fail to give them credit for becoming less greedy when oil prices are declining.

I am not suggesting that an introductory economics course, no matter how good it is, can turn hordes of students into economist snipers who patrol campuses shooting down sloppy economic thinking wherever it appears. It might create a few, however, which would be a useful contribution to the scholarly enterprise in the academy. It might come at the cost of more safe rooms on campuses, fully equipped with milk, cookies, puppy dogs and counselors, where students can recover after hearing ideas that make them uncomfortable. What I am suggesting is that more introductory economics courses, of the type suggested in this chapter, will improve the understanding students acquire of the enormous benefits we all receive from the cooperation made possible by markets. This would make an important contribution to the academy, and to America.

Conclusion

My proposal for significantly changing the introductory economics course may leave the impression that I am something of a maverick, and that may be correct. After all, I gave a Henry Salvatori lecture at Chapman University in March 1994 titled, "The Economist as an Intellectual Maverick." My point was that almost all economists are seen as mavericks by the majority of social science and humanities professors on most campuses. The introductory course I recommend would be sneered at by many of those professors as blatantly ideological. I agree that it is ideological, as any economics course almost has to be unless it is taught strictly as a course in applied mathematics, and even then the choice of topics would probably reflect some ideological bias. I suspect that the real complaint professors in these other disciplines have with economics is that, no matter how it is taught, it typically considers with skepticism the social policies most of them favor for reducing poverty, protecting the environment, fostering social harmony, improving education, promoting resource sustainability, and achieving other desirable objectives. It is not that economists are opposed to these objectives; they strongly favor them. They do, however, add intellectual diversity to the academy with a different understanding of how millions of people with diverse objectives and talents can be motivated to cooperate with each other to achieve the best balance of a host of desirable objectives, given that doing more to achieve some means doing less to achieve others. And I am convinced that the student taking the course I recommend would more likely acquire this understanding than the student taking the introductory course as it is typically taught currently.

I am also confident that most economics professors would agree with me, at least those who have been teaching long enough to have seen thousands of eyes glazing over during the lecture on the importance of the tangency position to human enjoyment. The overwhelming majority of economists recognize that understanding the "invisible hand" is essential to understanding economics. Without the ability to

aggregate globally dispersed information, communicate bundles of that information to those in the best position to make the most productive use of it, along with a strong incentive for them to do so, most of the problems economists worry about today wouldn't be problems at all, because the wealth to do anything about them simply wouldn't exist. This doesn't mean that important disagreements about the "invisible hand" and markets don't exist among economists. But the disagreements have less to do with markets than with the political process. All economists, including those who are strong advocates of markets, are fully aware of market failures. The most important difference between those on different sides of the ideological spectrum is that those on the left invariably have more confidence in the ability of governments to correct market failures than do those on the right. There is very strong agreement among economists on microeconomic issues such as the effect of tariffs, rent control, minimum wage, mandated benefits, and subsidizing agricultural production. The big disagreements are on macroeconomic issues, such as what causes the business cycle, the effect of deficit spending on economic productivity, whether there is a stable trade-off between employment and inflation, and how much discretion over the money supply the Federal Reserve should have.

Let me close by speculating that Jim will agree that the course I have described in some length would be an improvement over the way introductory economics is commonly taught today. But if he doesn't, I would take his disagreements seriously, and re-evaluate my argument, and possibly my position. I say this not because I know anything about Jim's politics—I don't—but because I know he is a very good economist.

References

Boaz, D. (2005, Jan. 21). *The man who told the truth: Robert Heilbroner fessed up to the failure of socialism*. Retrieved from Reason.com website, http://reason.com/archives/2005/01/21/the-man-who-told-the-truth

Boulding, K. E. (1969, March). Economic as a moral science. *The American Economic Review, 59*(1), 1-12.

Buchanan, J. M. (1964). What should economists do?. *Southern Economic Journal, 30*(3), 213-222.

Christakis, N. A., & Fowler, J. H. (2011). *Connected*. New York: Back Bay Books, Little Brown & Company.

Doti, J. L., & Lee, D. R. (1991). *The market economy: A reader*. Oxford: Oxford University Press.

Eyzaguirre, H., Ferrarini, T. H., & O'Roark, J. B. (2014). Textbook confessions: Government failure. *Journal of Private Enterprise, 29*(3), 159-175.

Henderson, D. R. (2008). *The concise encyclopedia of economics*. Indianapolis, IN: Liberty Fund.

Fike, R., & Gwartney, J. (2015). Public choice, market failure, and government failure in principles textbooks. *Journal of Economic Education, 46*(2), 207-218.

Lee, D. R. (2013). *The two moralities of Ebenezer Scrooge*. Retrieved May 6, 2016, from Library of Economics and Liberty website, http://www.econlib.org/library/Columns/y2013/Leescrooge.html

Lee, D. R. (2014). The two moralities of the minimum wage. *The Independent Review, 19*(1), 37-46.

Newport, T. (2015). *Hobson's century: Adventures in economics ebook*. Los Angeles: Tuck Newport.

Read, L. (1958). I, pencil: My family tree as told to Leonard E. Read. *The Freeman* (December), 32-37.

Rifkin, J. (2014). *The zero marginal cost society*. New York: Palgrave MacMillan.

Smith, A. (1759). *The theory of moral sentiments*. Indianapolis, IN: Liberty Fund.

Smith, A. (1776) *An inquiry into the nature and causes of the wealth of nations*. Indianapolis, IN: Liberty Fund.

Thwaites, T. (2011). *The toaster project: Or a heroic attempt to build a simple electric appliance from scratch*. New York: Princeton Architectural Press.