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==PUSD-ECONSYLBUS

Observations re: Economic Curriculum intended for instruction at high school level in PUSD {Dec. 2022}

Overall assessment: Although I found certain parts of the text to be strong and engaging for students with little or no prior acquaintance with economic principles or applications, there are also numerous units with extraneous verbiage and commentaries that will contribute to student confusion and will seriously confuse or mislead readers, largely because the structure of the text is sloppy and some authors have not fully or carefully researched or presented their material. (Details in my Bullet Point attachment.)

My priority suggestions are for a sharper focus on the principles of economics – in other words: the laws that have been most extensively vetted and found supportive of higher living standards for peoples and nations. I believe the enhancement of the text and thus the impact on students' learning and appreciation of economics as an enriching science, philosophy, and guide for life-long learning and success will be better served by substituting real economic examples where frivolous and distracting references and reading/responsive exercises are required. It would also help students who are pursuing the online text to have instant references (click-on links) back to the basic principles shown earlier in the 300-plus-page text. I recommend omission of the politically charged text that accompanies the otherwise interesting Globalization section of the book. (Details in my Bullet Point attachment.)

My notations include some instances where words were misspelled or typos occurred. There are also occasional omissions that I consider quite serious. I have suggested some economic laws, principles, and concepts that inspired and helped me throughout the course of my 40-year career and practice of economics.

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TCi Economic Curriculum Review: 12 Bullet Point Comments

1. Economics is a serious and rigorous study. As your introductory chapters indicate, time is also a scarce resource. So, having a textbook (online or in print), accompanied by several exercises that are time-consuming, but irrelevant is damaging to the goal of focused rational thought and problem solving. Elsewhere in this textbook, there are too many ambiguous sidebars and analogies that feature trendy, but unproven assertions. Many very well-done portions of the text are vitiated by inaccurate statements from both pro and con viewpoints. ***(Examples will be cited in my bullet points below.)***

2. I suggest a less ambiguous, more direct approach to differentiating between **"positive vs. normative"** economic thinking. Employ ***"objective" vs. "subjective."*** In other words: **reality = what is** versus **what might be** (imagined or visionary)

3. While reading the Adam Smith quotes appearing early in the text, I was surprised by the one you took that incorporated "the richer they feel." Without a deeper reading, the young student might not appreciate the broader significance of Smith's use of "richness and wealth." Indeed, Smith ties both concepts to feelings of human value: productivity, contribution to the general welfare, association with larger marketplaces and communities, financial independence, self-confidence, and optimism.

4. I think it is demoralizing to allocate so much text to discussing "stripping layers" and referencing how difficult economic concepts can be — "enigmas, puzzles, riddles." The textbook dedicates far too much time to disclaimers that are bound to intimidate rather than inspire young people. Why waste so much space on the *assumption* that students will find economics confusing, rather than dedicating space to instructing them?

5. The curriculum could be strengthened by omitting such side-trackers as the Acrostic Exercises, references to Economicus/Xenophon, the Globalization Blues, and the largely undocumented and frequently falsified assertions of Global Warming/Climate Change (e.g. To be unbiased, the textbook should have at least referenced the episode that debunked the intentionally bogus work on global temperature trends produced by a consortium of researchers at Penn State and University of East Anglia).

   Also, this section of the textbook should have highlighted the very relevant U.S. handling of environmental improvements, which have been among the best in the world, thanks to the application of technology, innovation (e.g. clean coal, fracking), applications of cost control, and recognition of the value of averting or preempting "tragedies of the commons," "unintended consequences," and "adverse/negative externalities."

   Data and information on Chinese carbon pollution, relative to U.S. pollution, whether air or water, are highly flawed. The textbook includes charts and other sources of outdated and inaccurate information from unreliable sources that mislead students about the extent of China's environmental problems. This serious flaw brings politics into a topic that should be objective and verifiable.

6. Listed below are some concepts and principles that I found useful in business and economic analysis. The curriculum either inadequately addresses these concepts or omits them entirely.

- **Three Parts of Any Economic System**: Production, ***Allocation (which the curriculum omitted)***, and Distribution. The omission of Allocation is quite serious. Allocation involves the process by which the private sector directs capital to the most credit-worthy applicants.

- **Three Prerequisites to Economic Growth**: **Rule of Law** (a strong, fair, functional judicial system); **Competitive, Free to Choose Marketplace** (decentralized forces of supply & demand for price determination –including rents, wages, salaries, and interest rates); **Strong and Secured Private Property Rights** and Protections of Citizen lives.

- **Four Essential Dimensions of Strong Property Rights *[in 4-D]:***

Strong property rights are predicated on private property being:

a. Definable
b. Defendable
c. Divisible
d. Divestible

- **Characteristics of Entrepreneurship/Leadership - *Curriculum omits Integrity*:**

1. Ambition
2. Self-confidence
3. Willingness to take risks
4. Energy
5. Self-discipline
6. Perseverance
7. Problem-solving skills
8. Ability to motivate others
9. Organizational abilities (teamwork & planning)
10. **Integrity! This was omitted by the curriculum.**

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7. I may have missed it, but I did not see in the text any mention or discussion of a core concept and psychological axiom in economics:

> ***"When you subsidize something, you get more of it; when you tax something you get less."***
>
> This axiom is fundamental in predicting the consequences (often *unintended* consequences) of economic policy. <u>It should not be omitted from any serious economics curriculum</u>.

8. It would enhance economic understanding If you taught students the difference between an "**income effect"** and a **wealth effect**." Using examples such as Christmas bonuses and lower Capital Gains taxes is one way of approaching the subject. Many other facets of economics, such as multiplier effects and fiscal/monetary policies are constructed around this part of the science.

9. By the same token, it would be very beneficial to differentiate between "**stocks and flows**," especially when discussing macro and micro economic policies, economics of the firm, and national GDP

accounting. [There is amazing ignorance among economists today between **Money** (M1, M2… supply) a **stock concept** versus **GDP** (**a flow concept**—as in Consumer Spending). Accountants know this: Balance sheets (Stocks); Profit/Loss sheet (Flows).

10. When discussing the Great Depression and Monetary/Fiscal Policy mistakes, I would think the curriculum would have presented the 1932-33 passage of Smoot-Hawley Tariff as a fiscal contributor to collapsing world trade, confidence, and entire economies.

11. Some omissions, errors, and typos:

* Under "Critical Thinking:" One guideline for students would be to subject each proposal being analyzed to the threefold evaluation test: (1) Is it logical? (2) Is it consistent with empirical evidence? (3) Does it make common sense?

* There is no recognition in the curriculum that **interest rates** are prices (e.g., the **price of credit**); in financial analysis and monetary policy, this is a crucial point because many people think of an interest rate as the price of money. Sharpen the tools and the nomenclature.

* When discussing Monetary Policy, there is no recognition of the impact of Velocity of money (turnover rates) in affecting the rest of the **MV=PQ tautology**. This is not just an unfortunate omission in the curriculum; this is the continuing fatal error of the Federal Reserve and most commentators on the errors of monetary policies since the inception of the FRB in 1913.

* **Velocity of Money is often the "Senior Partner"** driving monetary policy: spurring inflation rates, booms and busts. Frequent economic catastrophes result in poignant accusations of the Federal Reserve's Chairmen and Boards for always reacting too late to worsening economic conditions and thus accentuating economic distortions and creating needless and devastating amplitudes in the business cycles. These horrendous errors are not just the failure of the monetary authorities pushing money growth too fast for too long or pulling money stocks down too far or too fast for too long. Their lack of attention to both rising interest rates and inflation rates create *self-aggravating acceleration in turnover rates of money* (speed up of financial transactions=VELOCITY). This velocity acceleration reinforces the impact of each new dollar created by expansive Fed policy. After all, as suggested elsewhere in the curriculum, it is in the self-interest of people to 'spend ahead of inflation' to protect purchasing power (including home buying and furnishings outlays). These are the **self-reinforcing errors** that inept monetary and fiscal policies inflict on the private sector and tax base. And the inverse errors in policy result in subsequently sharper-than-expected recessions and Depressions. <u>The curriculum simply ignores (as do unaccountable policy makers) the key variable, **Velocity**</u>.

* In discussing the Keynesian "General Theory," there is no coherent analysis whatsoever with regard to the role of prudent fiscal policy, let alone monetary policy, in maintaining economic and financial stability or to avoid bankruptcy during **non-recession growth periods**. On average, recovery and expansion portions of U.S. business cycles account for 75 percent of the full business cycles that have occurred in the 20th and 21st centuries. The curriculum should alert readers to this deficiency in Keynesian analysis. Friedman was awarded the Nobel Prize for exposing these gaps in Keynes' work; Friedrich Hayek (Nobel Laureate) also noted these and other flaws in the Keynesian analyses just prior to Keynes' death. <u>The curriculum should note these criticisms</u>.

* Remove the “Globalization Blues” poem. Tighten the scholarship and professionalism of the text. Also, there is a snarky cartoon, as well as a misleading, elliptical comment, regarding Adam Smith’s quote to the effect “without taking into account the well-being of others.” This comment reveals an unfortunate ignorance about Adam Smith. His **‘invisible hand’ concept** - which pervades the **Wealth of Nations** masterpiece - illustrates how individuals behave in a manner that makes productive and rational sense when exchanging money for goods and vice versa. They add to what they consider their store of wealth and personal value. Such transactions and incentives to produce the best good or service possible furthers that person’s gain in income, wealth, and job security. Yet, he does not need to possess the perspective or understanding of the entire global market or its dynamic elements: engines, time, science and technology to “get richer.” As others possess the same incentives, the standards of life will be lifted by their work, personal interactions, communications, and expectations. The **“invisible hand”** that improves life of the individual and family is the same “force” that accounts for rising values (real GDP) of the nation and the globe. It’s just that individuals don’t always see with such perspective, even in a full lifetime. I’d hate to see this accurate and marvelously original statement of **symbiosis** be misrepresented in any economic textbook.

* Pareto’s Law might be a good addition to the Syllabus as a guide for government policy-making and for industry decision-making as well. A **Pareto Optimal** is stated this way: If you can make a rule or policy that improves the overall condition without diminishing the condition of any others, then do it.

* In “economic tools” you might add the econometric tool working with **comparative statics versus time series**; budgeting and regression analyses are set up with these techniques in mind.

*It may be appropriate to discuss Economic Variables that are reliable as “Leads, Lags, and Coincident” indicators for business cycle forecasting. For example: Average Hourly Workweek may be a leading indicator while Unemployment Rates (e.g., U-6 measure) is a lagging indicator. The curriculum, to its credit, does present this well. I think these and other employment measures might be relevant information for students, perhaps even the distinctions between the Household Survey and Employment Survey.

* Typos

<u>Typo</u> in L-16 Summary p 325 : “lessdeveloped” should be “less developed.

<u>Typo</u> Unit 2 Lesson 1 line2 under Law of Diminishing Returns: “todecide” should be “to decide”

<u>Big typo</u> p.113 L-7: “reserve equipment” should be “reserve requirement”

<u>Typos</u> in Unit 5 under Laffer Curve section: in paragraph “*Results of the Reagan Tax Cut”:* should be “when” not “hen; and should be “and” not “nd”

*Grammar error: pp.12-17: next to photo of Speed Limit 65 mph; use **these data**, not **this data!**

12. Here’s a suggested exercise for students, inspired by one of my professional experiences: In the 1980s, a U.S. Senator wrote me a letter stating that “… the cause of inflation is price increases.” *What’s wrong with this message?*