Extra Credit, Fall 2006

You may complete one or all of the following extra credit assignments, for a total possible extra credit of 40 points. Like any assignment, you have to do a very good job to get all the points, though you will get some points for following directions and turning it in. These assignments are due the last day of class, Monday, December 11th; I will also accept your essay by email, either as an attachment or in the body of the email, up until the 11th at 5 pm.

I will not tolerate any plagiarism on these assignments. Every sentence you write must be in your own words. If you attempt to answer the questions by copying sections from any published book or online source, you will get a zero. (Dismiss from your mind the possibility that I won’t know, for I have a superhuman ability to detect plagiarism)

If you have any question about what plagiarism is, you should see me.


   Answer the following questions in a typed essay.

   (i) What problem does Rothbard see with the statement: “Money is what the government says it is.”
   (ii) Briefly explain Mises’ ‘regression theorem’ argument cited by Rothbard.
   (iii) List three reasons why Rothbard is against government control over money.
   (iv) Explain Rothbard’s recommendation for banking, and what is the central problem as he sees it, of the current banking system. Do you find this argument persuasive? Explain why or why not.
   (v) Using the three graphs of (1) the supply and demand for money, (2) the investment demand curve, and (3), the AS-AD graph, show and explain the Keynesian objection to Rothbard’s argument. (Refer to the concept of countercyclical monetary policy)

(10 possible points)
2. Read the book “Contours of Descent” by Robert Pollin, available at the campus bookstore as an optional text. A reading guide to the book is available on the course website. Answer the following questions.

(i) What is ‘neoliberalism’, and what does Pollin see as the fundamental problems with it?
(ii) Explain Pollin’s argument for what caused the 1990’s economic expansion.
(iii) What is Pollin’s assessment of the Clinton Administration’s drive to balance the Federal budget?
(iv) Explain Pollin’s argument regarding sweatshops.
(v) In the last chapter, Pollin presents a set of alternative policies. Explain what these are and in what ways they would help the economy. Be specific; use graphs where possible to illustrate your point.

(10 possible points)

Answer the following questions in a typed essay.

(i) Using the graphs in Chapter 4 of your textbook, explain how an externality causes a market failure;
(ii) What is a ‘commons’? What are the ‘Three Forks of the Commons River’ that Barnes identifies?
(iii) What is the ‘tragedy of the commons’? In Barnes’ view, why do markets tend to destroy the commons?
(iv) Explain Barnes’ argument for why both government regulation and free markets cannot save the commons.
(v) What is Barnes’ proposed solution to the problem of the commons?

(10 possible points)
4. Read the essay published on the website www.lifeaftertheoilcrash.net, by Matthew David Savinar. (Note that there are 2 pages)

Answer the following questions in a typed essay.

(i) What is ‘peak oil’? Explain the effects of peak oil using a supply and demand graph.
(ii) Savinar argues that increasing oil prices will affect nearly every dimension of modern life. Explain this argument.
(iii) Savinar argues against the view that markets will find a way to replace oil with a new energy source. Explain this argument; do you find it persuasive?
(iv) Explain the concept behind the acronym: EROEI. How does this relate to alternatives such as biodiesel, ethanol, and hydrogen for sources of energy for transportation?
(v) Savinar argues that peak oil will cause a collapse of the world’s financial system. Explain this argument; how might Rothbard respond?

(10 possible points)