Extra Credit, Fall 2007

You may complete one or all of the following extra credit assignments, for a total possible extra credit of 50 points, or 10 points per essay. 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. Your essay(s) must be typed. These assignments are due the last day of class, December 10th; I will also accept your essay by email, either as an attachment or in the body of the email, up until the 10th 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 any of the questions by copying sections from any published book or online source, you will get a zero on all the essays, even if the others were your own work. (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, or take a look at this online guide:

http://www.plagiarism.org/learning_center/what_is_plagiarism.html

Course website: http://fog.ccsf.edu/~abair

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.

Summarize the material in these chapters in a paper between two and three typewritten pages in length. Your summary should answer the following questions:

(i) What does Smith argue is the foundation of the wealth of nations?
(ii) In Smith’s pin factory example, how many pins could be made in a day without the division of labor and how many pins can be made in a day with the division of labor?
(iii) What is the cause of the value or ‘natural price’ of a commodity?
(iv) How does your answer for #3 represent a different theory for what determines the value of a commodity in modern microeconomic theory? What role do preferences play in each theory?
3. Read the entry on the Prisoner’s Dilemma game found at Wikipedia: http://en.wikipedia.org/wiki/Prisoner%27s_dilemma
   Summarize the main points in a typed essay 2 pages in length, while answer the following questions:

   (i) How is the PD game a challenge to the idea that individuals acting in self interest produces a social optimum?

   (ii) How does the iterated PD game tournament offer an explanation for why cooperation may develop in a population of selfish individuals?

   (iii) In the iterated PD tournament, why would the strategy of always cooperating and of always defecting both result in relatively low scores?
4. Read the book “Capitalism 3.0” by Peter Barnes, available at:
http://onthecommons.org

Answer the following questions in a typed essay.

(i) Using graphs, 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? In your view, is such a proposal feasible? Why or why not?
5. 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?