Assignment: Three-Page Term Paper on Economic Naturalism*

Your goal is to begin with a question based on some observation from your own experience, and then use economic reasoning in an attempt to answer it. You should plan on writing no more than three pages (750 words), and bear in mind that some of the best papers are shorter. Try to include a simple drawing or other illustration that relates in some way to your topic. Here are some examples:

Why do kitchens in modern American houses often occupy more than 30 percent of the ground floor area, compared to less than half that percentage in houses built near the turn of the century?

People untutored in the art of economic naturalism sometimes mention the "deepening love affair" between Americans and their kitchens. Or they may speculate that we build bigger kitchens because we spend more time in the kitchen than we used to. But although these responses are not wrong in any strict sense, neither are they explanations. Economic naturalists want to know what causes the growing affinity for kitchens. And the first explanation they search for is a significant change in the prices we face.

Perhaps the most important such change has been the rising price of our time. As wages grow, the implicit cost of the time we spend on non-work activities grows. For example, when the wage rate is $30 per hour, the cost of taking an hour off to run an errand is ten times what it was when the wage was only $3 per hour. Time also becomes more costly as more and more families have both spouses at work. Rising real wages and the growing percentage of two-earner families have made it more attractive to do larger, but less frequent, shopping trips, and buying groceries in larger batches naturally creates a demand for more kitchen space to store them.

Technological changes have also contributed to growing kitchen size. The proliferation of automobile ownership has made it easier to transport large quantities of groceries; and refrigeration, freezing, special packaging, and the like have made it possible to store food for much longer periods. Economic naturalists recognize in these factors the seeds of plausible hypotheses about why modern kitchens are so much larger. They spend little energy investigating deepening love affairs for kitchens.

Why is airline food so bad?

Everyone complains about airline food. Indeed, if any serious restaurant dared to serve such food, it would go bankrupt. Our complaints seem to take for granted that airline meals should be just as good as the ones we eat in restaurants.

But why should they? The cost-benefit perspective makes clear that airlines should increase the quality of their meals if and only if the benefits would outweigh the costs of doing so. The benefits of better food are probably well measured by what passengers would be willing to pay for it, in the form of higher ticket prices.

If a restaurant-quality meal could be had for a mere $5 increase in costs, most people would probably be delighted to pay it. The difficulty, however, is that it would be much more costly than that to prepare significantly better meals at 39,000 feet in a tiny galley with virtually no time. It could be done, of course. An airline could remove 20 seats from the plane, install a modern, well-equipped kitchen, hire extra staff, spend more on ingredients, and so on. But these extra costs would be more like $50 per passenger than $5.

For all our complaints about the low quality of airline food, few of us would be willing to bear this extra burden. The sad result is that airline food is destined to remain unpalatable because the costs of making it better outweigh the benefits.
Many of us respond warmly to the maxim, "Anything worth doing is worth doing well." After all, it encourages a certain pride of workmanship that is often sadly lacking. As the airline food example makes clear, however, when the maxim is interpreted literally, it makes no sense. It is completely unmindful of the need to weigh costs against benefits. To do something well means to devote time, effort, and expense to it. But time, effort, and expense are scarce. To devote them to one activity makes them unavailable for another. Increasing the quality of one of the things we do thus necessarily means to reduce the quality of others—yet another application of the concept of opportunity cost (or marginalism). Every intelligent decision must be mindful of this tradeoff.

Everything we see in life is the result of some such compromise. For Maria Sharapova to play tennis as well as she does means that she cannot become a concert pianist. And yet this obviously does not mean that she shouldn't spend any time playing the piano. It just means that she should hold herself to a lower standard there than in the tennis arena.

**Why have paper towels replaced hot-air hand dryers in public restrooms?**

In the 1950s and 1960s, paper towel dispensers were replaced by electric hot-air hand dryers in many public restrooms. More recently, however, it is the hot-air dryers themselves that are being replaced by paper towel dispensers.

The explanation for these movements naturally has to do with the costs and benefits of the different methods of drying hands. The hot-air dryers made their original appearance on the heels of a steady decline in the price of electricity. When power became cheap, as it did in the '50s and '60s, electric dryers became less expensive to operate and maintain than the traditional paper towel dispensers. With the Arab oil embargoes of the 1970s, however, the price of energy rose dramatically, making paper towels once again the hand-drying method of choice.

Some economic naturalists may also find it amusing to speculate about why the paper towel dispensers of today are so different from the earlier ones. Most current designs feature a continuous hand crank. The paper is inside on a roll, and the longer you turn the crank the longer sheet of paper towel you get. Older designs also had a roll of paper inside, but you had to pull the paper out by hand. Most of the older models would also release only a limited amount of paper with each pull. To get more, you had to reset the release mechanism on the front of the dispenser.

The advantage of the older design, from the establishment's point of view, was that it induced people to use less paper. Indeed, if your hands were wet enough it was difficult to get any paper at all because, when you pulled, the wet paper would simply tear away in your hands.

But if establishments saved on paper with the old design, why have they switched to the new? The answer is that saving on paper is not their only objective. They also want satisfied customers. Incomes are higher now than they were 30 years ago, and customers are willing to pay more for a more convenient way of drying their hands. The current design may use a little more paper, but it is so much less frustrating that customers seem happy to pay more for their meals or their gasoline in order to cover the extra costs.

Some people may respond that the old design, infuriating though it was, was better because of its paper-saving property. These people feel that it is wrong to waste paper, and that we ought to be willing to tolerate plenty of inconvenience to avoid doing so. The same people also often lament the thousands of trees that must be cut down in order to print each Sunday's *New York Times*. But trees are a renewable resource, which means there is no reason to treat them differently from any other scarce but renewable resource. When the demand for paper is high, we cut down more trees, to be sure. But the market also provides a strong incentive to plant new ones. The irony here is that the more paper we use, the more trees we have. If every metropolitan newspaper were to cease publication tomorrow, we would ultimately have fewer acres of forest, not more.

**Why are Australian films so good?**

Critics often remark with surprise that the Australian films shown in the U.S.—*Breaker Morant*, *Gallipoli*, *My Brilliant Career*, *Mad Max*, *Crocodile Dundee*, *The Last Wave*, *Picnic at Hanging Rock*, *Strictly Ballroom*, and others—are so much better than the average American film. On a moment’s reflection, however, this is just what we ought to have expected. To see why, note the criteria by which
people decide whether to see a film: Is it by a well-known director? Does it feature a favorite actor or actress? Has it gotten rave reviews in the media? Have friends who have seen it had good things to say about it? The one thing these early Australian films had in common was that few Americans had ever heard of the people who made or starred in them. Although Peter Weir, Paul Hogan, Judy Davis, Mel Gibson, and a few other Australian directors and actors have since gone on to fame in the U.S., they were virtually unknown at the time their films were first shown here. So the investors who were trying to decide which Australian films to book into U.S. theaters knew that their only chance for success lay in films that would generate good reviews and strong word-of-mouth—in a word, only the very best films. Anything less simply would not justify the heavy investments required to launch a movie in the American market. The economics of information thus tells us not that Australian films are of uniformly high quality, but that only the very highest-quality Australian films can hope make money in the U.S. market.


Description of the Performance Criteria Used to Evaluate Reports and Papers

Student papers and reports are typed, free of grammatical, spelling, and usage errors, and evaluated based on the following type of criteria:

The A Report/Paper: (a) addresses the main thesis and relevant economic concepts; (b) demonstrates the significance of the concept(s) in the context of the general argument developed in the main text and lectures; (c) demonstrates some analytical grasp of the argument; (d) is well written and free of spelling and grammatical errors.

The B Report/Paper: Satisfies points (a)-(d) above, but is written at a lower level of analysis, and is less clear in demonstrating the significance of the main thesis and relevant economic concepts.

The C Report/Paper: Satisfies a, b, and d (as in the A Paper above), but displays a weak analytical grasp, is written at a lower analytical level, and does not clearly demonstrate the significance of the main thesis and relevant economic concepts.

The D Report/Paper: Provides a weak description of the main thesis and other relevant economic concepts, provides a weak demonstration of the link to the general argument provided by the main text of the courses and the class lectures, demonstrates a limited analytical grasp of the argument, but is largely free of spelling, grammar, and usage errors.

The Failing Report/Paper: Satisfies none of the above conditions

Each Report/Paper must first specify the main thesis and economic concepts in a succinct paragraph or two. This point must then be compared or contrasted to the argument found in the main course text in order to address the questions: Does the main thesis contradict, complement, or supplement the argument made in your text? How So? Students are expected to evaluate their thesis or arguments in the report, using the theory and other concepts developed and discussed in the class.