

Fixing Fallacies

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Abstract

Now, perhaps more than ever, students enter economics courses with a perceived notion of how the economy functions. Historic bailouts, “The Great Recession,” debt ceiling debates, the “fiscal cliff,” and perpetual political campaigns have put economic issues at the forefront of media coverage in the United States. Often, students formulate their economic perceptions based on biased public opinions or misleading statistics. Economics professors, therefore, have the added task of correcting fallacies that students bring with them into the classroom. This paper presents an approach for fixing major fallacies utilizing Thomas Sowell’s *Economic Facts and Fallacies*.

JEL Codes: A20, A22, D83

Keywords: Fallacies, Facts, Misperceptions, Economic education, Teaching

I. Introduction

The greatest enemy of knowledge is not ignorance; it is the illusion of knowledge.

—Stephen Hawking

Despite the numerous advances and innovations in the field of economics education, few pedagogical approaches have focused on correcting the misperceptions and fallacies that students possess upon entering the class. Now, perhaps more than ever, students enter even a principles-level class with a perceived notion of how the economy works. Historic bailouts, “The Great Recession,” debt ceiling debates, budget battles, the European debt crisis, the “fiscal

cliff,” and perpetual political campaigns have put economic issues at the forefront of media coverage in the United States.

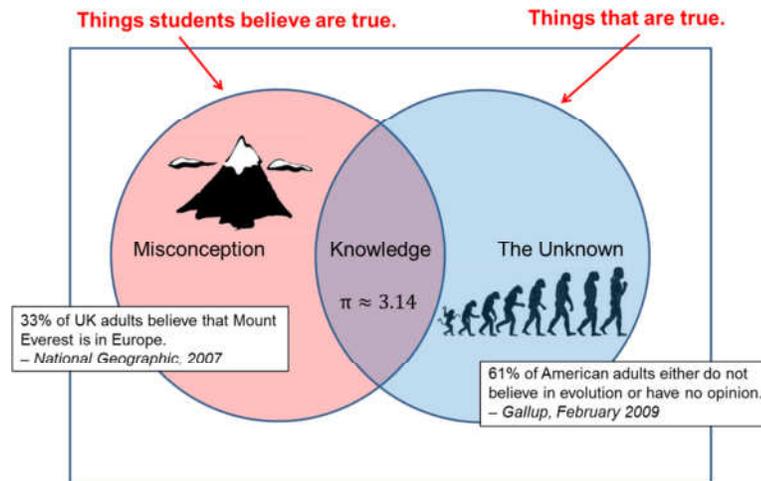
It should come as no surprise, therefore, that students have become increasingly interested in the field of economics. However, with that stimulated interest in economics, students also enter the classroom with a greater degree of normative perspectives on economic issues. Their opinions may now be based substantially more on information obtained through media sources rather than generated through personal experience or research.

Many of these news sources, unfortunately, are biased. On the issue of increasing the minimum wage, an economically liberal outlet may preach on growing income inequality, demanding an increase in the minimum wage. An economically conservative outlet would cite the extraordinarily high unemployment rate, most pronounced among teenagers and demographic groups most likely to be earning the minimum wage (or below, if legal), and would claim that the minimum wage is a self-defeating measure that does more harm than good.

Regrettably, it is uncommon for teenagers to hear the facts and opinions supporting both sides of an economic debate. Too frequently, the arguments reaching the nation’s youth are either one-sided, or the facts and statistics provided for the argument are misleading or completely false.¹ Therefore, when entering an economics class, many students have already formulated their own economic opinions. These beliefs, often based on common fallacies, are separate from facts gathered from scientific research, illustrated in Figure 1.

¹ Writers have noted the perils of making arguments through statistics for centuries, yet statistics remain as a primary tool used by media outlets to summarize results. See, for example, “Torture statistics and they’ll tell you anything,” Gregg Easterbrook; “Facts are stubborn, but statistics are more pliable,” Mark Twain; “There are three kinds of lies: lies, damned lies, and statistics,” Benjamin Disraeli; “Statistics: The only science that enables different experts using the same figures to draw different conclusions,” Evan Esar.

Figure 1: Beliefs and Facts



Source: Davies (2011)

I present an assignment for economics students geared at providing unbiased, accurate facts. Using Thomas Sowell's *Economic Facts and Fallacies*, students are able to understand the background surrounding many common fallacies and the empirical facts related to each topic. Then, the students teach their findings to the class, providing the entire class with factual information to form their own enlightened opinions.

II. Assignment

The assignment places students into groups. Each group selects a chapter from Sowell's *Economic Facts and Fallacies* to research. The assignment has two primary components, a research paper and a group presentation. The research paper consists of one paper from the entire group that summarizes their research findings. The presentation requires each group to give a 15-minute presentation during which each member must discuss their own research findings and their contribution to the group project. To assess students' learning, questions on the facts and fallacies presentations appear on quizzes and exams.

A. The Book

Economic Facts and Fallacies is exceptionally written, in lay language, so it is an easy read for students. While I will not summarize the entire book here, a brief summary of one chapter should provide a general idea of the book's content and style. In opening the "Male-Female Facts and Fallacies" chapter, Sowell (2008, p. 55) states,

In most societies, for most of history, women have earned lower incomes than men. That fact is not in dispute. What is open to question—and what has generated many fallacies—have been various attempts to explain this fact. Plausible possibilities are many: Employers might discriminate against women, parents might raise girls and boys differently, women and men might have different skills or make different choices in education or careers. These and other possibilities are often collapsed into one prevailing conclusion: When and where there are significant differences between women and men in their employment, pay, or promotion, discrimination can be inferred and, where there has been a lessening of such disparities over time, it has been due to a lessening of discrimination under the pressures of government, the feminist movement or a general increase in enlightenment. Such reasoning has been common from the media to the political arena to courts of law. But this explanation cannot withstand a scrutiny of history or of economics. It is one of the central fallacies of our time.

Sowell then proceeds to depict the economics involved in observable male-female differences. He focuses on occupational choice, continuity of employment, regular and irregular work, and domestic imbalances, describing why each of these plays a major role in the economic structure regarding gender in today's society. Finally, Sowell describes discrimination and adds a chapter summary. The remaining chapters follow a similar pattern.

B. Flexibility

Varying the group size and timeline for presentations provides flexibility to an instructor depending on the amount of class time the instructor is willing surrender to student presentations and the instructor's opinion regarding the optimal time to hold each presentation. For a class of thirty students, groups of five students would allow each group to cover their own chapter (2–7), with the instructor covering the facts and fallacies in chapter 1. It would be just as easy to split the chapters and divide the groups in half, while still covering the entire book.

For a timeline, I suggest spreading out the presentations, perhaps one a week, beginning before mid-semester.² Timing the presentations in conjuncture with similar course material will provide a greater scope for the applications of the course concepts by illustrating connections of the textbook material to the outside world. For example, a presentation addressing facts and fallacies relating to academics would likely fit well with a discussion of opportunity costs, incentives, positive externalities in education, or with government spending policy. Tying the facts and fallacies presentations to the course material also makes testing on the subject more relevant. A connection between book chapters and common microeconomic topics is provided in Table 1, followed by sample assignment or exam questions in Table 2.

² I recommend avoiding multiple student presentations during the same class period. Students tend to have tunnel vision regarding their own presentation and do not absorb the information from other students' presentations.

Table 1. *Facts and Fallacies* Chapters and Popular Microeconomic Topics Discussed

Chapter	Topics Discussed
1. The Power of Fallacies	trade, causation vs. correlation
2. Urban Facts and Fallacies	rent control, tragedy of the commons
3. Male-Female Facts and Fallacies	discrimination, asymmetric work
4. Academic Facts and Fallacies	incentives, opportunity cost, subsidies
5. Income Facts and Fallacies	income/economic growth, inequality
6. Racial Facts and Fallacies	discrimination, minimum wage laws
7. Third World Facts and Fallacies	institutions, economic freedom

Table 2. Sample Assignment or Exam Questions

1. Life in cities and urban areas is often portrayed as dismal. If there are so many problems with cities, why do people choose to locate in cities?
2. The government has done numerous things to try and improve urban life. List one of those actions and describe its effect.
3. Traffic congestion has been a major problem for cities dating back to ancient Rome. What is a simple economic explanation for a surplus of cars on the road? List two policies aimed at alleviating traffic congestion.
4. White people once enslaved black people. Explain why a number of current problems in black communities should NOT be linked directly to slavery.
5. In poor neighborhoods, why do businesses charge higher prices?
6. What are the leading causes of the wage gap between genders? (Hint: the answer is not discrimination.)
7. Compare the salaries of individuals involved in intercollegiate sports (coaches, athletic directors, etc.) with the salaries of individuals at the same institution who work in academia (professors, college presidents, etc.).

8. At many colleges and universities, tuition does not make up more than 50% of the school's revenue. Name two other leading sources of school revenue.
9. In the United States, have the poor been getting poorer while the rich have been getting richer? Why might statistics lend support to the incorrect answer?
10. Have the current set of Third World countries always been the poorest in the world? Why or why not?

III. Conclusion

Modern students have an increasing interest in economics. On one hand, stimulated interest in economics from a younger population is certainly healthy for the field of economics; however, with that stimulated interest, students frequently carry economic notions that can be far from what empirical studies support.

While it is beyond any single class to address all of the fallacious beliefs that undergraduate students hold, this paper presents a simple assignment using Thomas Sowell's *Economic Facts and Fallacies* to address many of the most popular and most egregious economic fallacies held today. Through a combination of a research paper and class presentations, students will become familiar with many of the popular fallacies, the background behind the fallacies, and the actual facts surrounding those topics.

References

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