



THE ROBERT DAY SCHOOL  
CLAREMONT MCKENNA COLLEGE

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**PPE 110A&B – Economics Seminar and Tutorial**  
**Fall 2019 Syllabus**

Professor Cameron Shelton  
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Bauer North 322  
Office Hours: Monday 1:30-4:30pm

Seminar: Kravis 166, specified Tuesdays and Thursdays 1:15pm-4:00pm

Tutorial: Bauer North 322, specified Tuesdays, one hour by assignment between 9am and 4pm.

**Course Description**

***Tutorial***

Tutorial is loosely modeled on the traditional Oxbridge model. Eight of out twenty-five meetings will be tutorials. Students will be split into two groups,  $x$  and  $y$ . For each tutorial, each student will be paired with a member of the opposite group. One student will write a 1200-1600 word tutorial paper. The other student will receive this paper and write a 400-600 word comment on it. Students will alternate between writing papers and comments. Thus each student will write four papers and four comments over the course of the semester. Student papers and comments will provide the basis of a discussion among the two students and me. These tutorials will be held on Tuesday, in my office (Bauer North 320), last 45 minutes, and will usually be scheduled between 9am and 4pm. Papers must be e-mailed to me and to your tutorial partner by Noon Sunday. Comments must be emailed to me and to your tutorial partner by Noon Monday. The four papers will constitute 60% of your tutorial grade; the four comments 20%. The remaining 20% will come from my evaluation of your participation in tutorial which will be based off your preparation, your attitude, and the value-added by your comments.

***Seminar***

On days without a tutorial, we will meet together for class in Kravis. These days will consist of a mixture of discussion and lecture. Most of our time will consist of a discussion of the assigned readings. A smaller part will be lectures to deliver canonical models and prepare you for coming material.

Each discussion section will come with a set of prompts intended to point you in interesting directions. You are expected to write a short piece exploring an issue in the readings. Your piece, though short, should be an essay with a clear point to be made. A variety of different types of responses are possible: an extension of an argument in the readings to a related issue; an application of the argument to another issue in our field of study or previous readings; a critique or question of an argument laid out in the readings, etc. It should be posted on Sakai by 9am the day of the seminar. The answers should be approximately 300-500 words and serve to provide fodder for our discussion. Clearly, therefore, you are expected to have done the reading *prior* to each seminar. These responses will account for 50% of your seminar grade. There are thirteen seminar meetings. Your grade will be based on twelve responses; you may choose which one to skip. (You may not turn in

thirteen and have the lowest grade dropped. If you do all thirteen, I will simply not grade the last one.) A further 20% of your seminar grade will be determined by the quality of your participation. I will give you feedback midway through the course on this aspect. That grade will be determined by me but I will confidentially poll your peers for feedback on your participation and include their thoughts in my evaluation. The final 30% of your grade will be based upon your final project. This final project will be a capstone analysis drawing on elements of the course to address a subject of your choosing. You will present and defend your analysis to your classmates on the last day of class. Details are available in the dedicated section below.

### Course Grades

To reiterate what was explained above, your final grade will be calculated as the weighted average of the individual assignment grades using the following weights:

#### Tutorial:

- 4 Tutorial papers: 60%
- 4 Tutorial responses: 20%
- Participation in tutorial: 20%

#### Seminar:

- 12 Reading responses: 50%
- Participation grade: 20%
- Final project: 30%

### Readings

Many of the readings are articles or book chapters which I have posted on Sakai.

The book by Trumbull is available as an ebook via Honnold library

In addition, the following books are available via Huntley or online booksellers.

- Olson, Mancur. *The Logic of Collective Action*. Harvard University Press, 1965
- Clark, Gregory. *A Farewell to Alms*. Princeton University Press, 2007
- Collier, Paul. *The Bottom Billion*. Oxford University Press, 2007
- Thaler, Richard and Cass Sunstein. *Nudge*. Penguin Books, 2008.
- Irwin, Douglas. *Free Trade Under Fire*, Fourth Edition. Princeton University Press. 2015.
- Rodrik, Dani. *Has Globalization Gone Too Far?* Institute for International Economics. 1997.
- Bowles, Samuel and Herbert Gintis. *A Cooperative Species: Human Reciprocity and its Evolution*. Princeton University Press. 2011.
- Barth, James, Gerard Caprio, and Ross Levine. *Guardians of Finance*. MIT Press. 2012.

### Policies

Attendance: Come to seminar and tutorial prepared, come with the readings in hand for reference, and come on time. Given the nature of the tutorial, your tutorial papers must be in on time. **I will enforce this by reducing your grade on the paper by one letter grade for each hour the tutorial paper is late.** Do not forget to copy me on the email sending your paper to your tutorial partner.

All components of both the tutorial and seminar must be completed to earn a passing grade. Participation obviously requires attendance, so excessive absences from the seminar will result in failing the course. To this end please make me aware of any planned or emergency absences as swiftly as possible. I may request documentation and/or make-up work.

Obviously, all work must be your own. If in doubt, cite! Possible violations of academic integrity will be reported to the Academic Standards Committee.

Finally, please turn your phones off and put them away. You may bring a computer or other electronic gadget, but it is to be used solely for accessing readings and taking notes—that means no Internet browsing or electronic chatting with friends!

### **Final Project**

Choose one of the following new sources. Read it. Write a typical seminar paper in which you relate the new source to the previous content of this course. Your paper should make an argument for how this new author complicates our previous understanding, how this new author invalidates or contradicts our previous understanding, and/or what this new author is missing based on our previous understanding. Naturally, you need not relate to every source we have read this semester; focus on a narrower relationship that you develop in depth. Give a fifteen minute oral presentation, preferably with visual accompaniment, to the class summarizing this source and your argument. The presentation will take place on December 13<sup>th</sup> in our final session. This session will last from Noon to 4pm and will include a catered lunch. Your paper is due electronically to me on that date prior to the start of class.

### **New Sources**

- Deliberation and Information Markets, Sunstein (27 pages)
  - Markets, homo economicus
- Economics and Identity, Akerlof/Kranton (40 pages)
  - Social norms, markets
- The Impact of Social Structure on Economic Outcomes, Granovetter (18 pages)
  - Social norms, collective action, beyond contract theory
- Review of De Soto's The Mystery of Capital, Woodruff (12 pages)
  - Incomplete contracts, transactions costs, institutions and economic growth
- Toward a Political View of the Firm, Zingales (18 pages)
  - Theory of the firm, institutions and growth, labor share
- Mindful Economics: production, consumption and value of beliefs, Benabou/Tirole (24 pages)
  - Information and rationality of agents
- Reclaiming virtue ethics for economics, Bruni/Sugden (24 pages) **and** Market Reasoning as Moral Reasoning, Sandel (20 pages)
  - The scope, content, and results of the market technology and its proper role
- Executive Compensation as an Agency Problem, Bebchuck and Fried (22 pages)
  - Contract theory, Labor share
- Is There a Market for Virtue? Vogel (27 pages)
  - Theory of the firm, collective action
- Game theory and the social contract: Binmore volumes 1&2 selected pages (30 pages)
  - Game theory, collective action, social norms
- Do Institutions Cause Growth?, Glaeser/La Porta/Lopez-de-Silanes/Shleifer + , Institutions versus Policies: A Tale of Two Islands, Henry/Miller (39 pages)
  - Institutions and growth

## Project Grade

Papers will be graded by the familiar standards of the tutorial papers. Presentations will be graded on the following dimensions:

- Succinctness, clarity, and correctness in expressing the main idea of the source
- Succinctness, clarity, and correctness in expressing the presenter's original thesis.
- Logical correctness, perceptiveness, and originality of the presenter's original thesis
- Depth, persuasiveness, and degree of grounding in course material of supporting evidence of the presenter's original thesis.
- Utility of the accompanying visual accompaniment.

## Class Schedule Summary:

| #  | Date |                      | Topics  | Pages       |
|----|------|----------------------|---|-------------|
| 1  | Tue  | Sep 3 <sup>rd</sup>  | Welcome, syllabus, ground rules / Lecture: The Welfare Theorems       | <i>none</i> |
| 2  | Thu  | Sep 4 <sup>th</sup>  | Seminar: The Role of Markets  | 50+pc       |
| 3  | Tue  | Sep 10 <sup>th</sup> | Seminar: The Limits of Markets  | 80          |
| 4  | Thu  | Sep 12 <sup>th</sup> | Seminar: Contract Theory  | 55          |
| 5  | Tue  | Sep 17 <sup>th</sup> | <b>Tutorial 1:</b> Market Design                                      | 10          |
| 6  | Thu  | Sep 19 <sup>h</sup>  | Seminar: Theory of the Firm   | 85          |
| 7  | Tue  | Sep 24 <sup>th</sup> | Lecture: Game Theory Basics & Repeated Games                          | --          |
| 8  | Thu  | Sep 26 <sup>th</sup> | Lecture: Bayesian Games & Evolutionary Game Theory                    | --          |
| 9  | Tue  | Oct 1 <sup>st</sup>  | <b>Tutorial 2:</b> Corporate Culture                                  | 50          |
| 10 | Thu  | Oct 3 <sup>rd</sup>  | Seminar: Collective Action  | ~100        |
| 11 | Tue  | Oct 8 <sup>th</sup>  | <b>Tutorial 3:</b> Social Norms                                       | 100         |
| 12 | Thu  | Oct 10 <sup>th</sup> | Seminar: The Role of Political & Economic Institutions in Development | 160         |
| 13 | Tue  | Oct 15 <sup>th</sup> | <b>Tutorial 4:</b> Culture and Development                            | 235+pc      |
| 14 | Thu  | Oct 17 <sup>th</sup> | Seminar: Poverty Traps  | 200         |
| -- | Tue  | Oct 22 <sup>nd</sup> | No meeting: Fall Break  | --          |
| 15 | Thu  | Oct 24 <sup>th</sup> | Seminar: Asset Prices   | 100+pc      |
| 16 | Tue  | Oct 29 <sup>th</sup> | <b>Tutorial 5:</b> Regulatory Independence                            | 70          |
| -- | Thu  | Oct 31 <sup>st</sup> | No meeting: MUN conference  |             |
| 17 | Tue  | Nov 5 <sup>th</sup>  | Seminar: Financial Oversight  | 137         |
| 18 | Thu  | Nov 7 <sup>th</sup>  | Seminar: Future of Work   | 55+pc       |
| 20 | Tue  | Nov 12 <sup>th</sup> | <b>Tutorial 6:</b> The Labor Share                                    | 50          |
| 21 | Thu  | Nov 14 <sup>th</sup> | Seminar: Free Trade   | 160         |
| 22 | Tue  | Nov 19 <sup>th</sup> | <b>Tutorial 7:</b> Tensions Between Trade and Social Arrangements     | 90          |
| 23 | Thu  | Nov 21 <sup>st</sup> | Seminar: Homo Economicus  | 90          |
| 24 | Tue  | Nov 26 <sup>th</sup> | <b>Tutorial 8:</b> Libertarian Paternalism                            | 150         |
| -- | Thu  | Nov 28 <sup>th</sup> | No meeting: Thanksgiving  | --          |
| 19 | Tue  | Dec 3 <sup>rd</sup>  | Seminar: Cost Disease   | 25          |
| -- | Thu  | Dec 5 <sup>th</sup>  | No meeting: work on final projects                                    | --          |
| -- | Tue  | Dec 10 <sup>th</sup> | No meeting: work on final projects                                    | --          |
| 25 | Thu* | Dec 12 <sup>th</sup> | Final Project Presentations   | --          |

\* To allow sufficient time for all presentations, we will meet from Noon – 4pm this day with lunch provided.

## Class Schedule Detail

### [1] Introduction,

#### [2] Thursday September 5<sup>th</sup>: Seminar

##### The Role of Markets

Readings:

1. Hayek, Friedrich (1945) "The Use of Knowledge in Society" *American Economic Review*
2. Malone, Thomas. (2004) "Bringing the Market Inside." *Harvard Business Review*.
3. *The Free Food Market*, NPR Planet Money Episode 665
4. Cowgill, Bo and Eric Zitzewitz. (2015) "Using Predictions Markets to Track Information Flows: Evidence from Google." *Review of Economic Studies*, Vol. 82, No. 4, pp. 1309-1341. Read only section 1 through page 1320.

*Reading response prompts:*

- a. What makes a situation ripe to be solved by the creation of a market?
- b. Are there information aggregation problems that are too complex for markets? If so, what characterizes these situations?
- c. Does uni-dimensional price preserve local knowledge?
- d. Do prices incorporate preferences only or also power?

### [3] Tuesday September 10<sup>th</sup>: Seminar

##### The Limits of Markets

Readings:

1. Roth, Alvin (2008) "What Have We Learned From Market Design?" *Economic Journal*.
2. Kanbur, Ravi (2001) "On Obnoxious Markets" Cornell University working paper
3. Wolff, Jonathan (2004) "Moral Limits of the Market" UCL working paper

### [4] Thursday September 12<sup>th</sup>: Seminar

##### Contract Theory

Readings:

1. Sappington, David E. M. (1991) "Incentives in Principal-Agent Relationships" *Journal of Economic Perspectives*, 5(2): 45-66.
2. Sheremeta, Roman. (2016) "The pros and cons of workplace tournaments" *IZA World of Labor*.
3. Lazear, Edward. (2004) "The Peter Principle: A Theory of Decline" *Journal of Political Economy*, 112(1.2): 141-163.

*Reading response prompts:* consider the reasons for departures between a worker's wage and his/her marginal product. To what extent do these departures inhibit our ability to use income to make relative comparisons across workers as to who is deserving of this and that? (You will probably have to specify this and that.)

### [5] Tuesday September 17<sup>th</sup>: Tutorial

##### Market Design

Readings:

1. Wolfers, Justin and Eric Zitzewitz (2006), "Five Open Questions About Prediction Markets" in *Information Markets: A New Way of Making Decisions*, eds Robert Hahn and Paul Tetlock, pp 13-32.

*Tutorial prompt:* Design a market. It may pertain to daily life on campus, at home, in town, a job you have held, public policy, what-have-you. Explain why there is a need for a market (rather than some other arrangement). **Specify the contracts to be traded explicitly.** Discuss the likely strengths and shortcomings of your particular case, referencing the articles. You should cover who will trade, why they will, and the distribution of information.

*Respondant:* Does this market meet an obvious need? Is it well-designed and likely to induce effective information aggregation? Is it obnoxious? Would it meet resistance due to violation of existing distributional rules?

**[6] Thursday September 19<sup>th</sup>: Seminar**

Theories of the Firm

Readings:

1. Coase, Ronald (1937) "The Nature of the Firm" *Economica*
2. Alchian, Armen and Harold Demsetz (1977) "Production, Information Costs, and Economic Organization" *American Economic Review*, 777-795.
3. Klein, Benjamin, Robert Crawford, and Armen Alchian (1978), "Vertical Integration, Appropriable Rents, and the Competitive Contracting Process" *Journal of Law and Economics*, 21(2): 297-326.
4. Hart, Oliver (1988), "Incomplete Contracts and the Theory of the Firm" *Journal of Law, Economics, and Organization*, 4(1): 119-139.

*Reading response prompts:*

- a. What is the fundamental puzzle that all of these "theories of the firm" are trying to answer? In other words, why would a classical economist operating in a Walrasian setting not expect the firm to exist?
- b. Why would the owners of a production process want to replace exchange coordinated spontaneously by relative prices (a market) for coordination by central design or direction?
- c. From these sources, what seem to be the sources of inefficiency in this form of organization?
- d. Is the Alchian and Demsetz answer "Coasean"?
- e. Is Hart's theory merely a specific case of Coase? If so, what does he add? If not, why not?
- f. Are these three theories mutually exclusive?

**[7] Tuesday September 24<sup>th</sup>: Lecture on Game Theory: Basics and Repeated Games**

Readings: *none*

**[8] Thursday September 26<sup>th</sup>: Lecture on Game Theory: Bayesian Games and Evolutionary Game Theory**

Readings: *none*

**[9] Tuesday October 1<sup>st</sup>: Tutorial**

The Firm

Readings

1. Kreps, David (1990), "Corporate Culture and Economic Theory" in *Perspectives on Positive Political Economy*, eds James Alt and Ken Shepsle, pp 90-143.
2. Simon, Herbert (1991), "Organizations and Markets" *Journal of Economic Perspectives*, 5(2): 25-44.

*Tutorial Prompt:* Coase, Simon, and Kreps have fundamentally different explanations of the necessity of the organizational structure known as the firm. Contrast these visions. Are they mutually incompatible?

*Respondent:* Critique this argument with reference to the source material.

**[10] Thursday October 3<sup>rd</sup>: Seminar**

Collective Action

1. Olson, Mancur (1965) *The Logic of Collective Action*, chapters 1-3, 5 & 6
2. Trumbull, Gunnar (2012) *Strength in Numbers: The Political Power of Weak Interests*, chapter 1 plus one of 3, 5, 7 depending on which group you are assigned to.  
(This is available via the library as an online e-book.)

*Reading Response:* **After** our discussion, write a short post on the following. Identify a diffuse interest and write a 1-page memo designing a method by which to promote it against a concentrated rival. <or> Identify a diffuse interest which has prevailed and analyze why it has done so. In either case, touch on coalitions, narrative, and the institutional landscape. Due: Friday October 4<sup>th</sup>, 5pm.

**[11] Tuesday October 8<sup>th</sup>: Tutorial**

Social Norms

Readings

1. Bowles, Samuel and Herbert Gintis (2011) *A Cooperative Species*, Princeton University Press. Chapters 1, 2, 3, 5, 9, 12. (Optional but recommended chapters 10, 11—just take a look!)
2. Ostrom, Elinor (2000) “Collective Action and the Evolution of Social Norms” *Journal of Economic Perspectives* 14(3) 137-158.

*Tutorial Prompt:* Discuss whether, and explain how or how not, Ostrom’s design principles solve the problems outlined by Bowles and Gintis regarding the missing choreographer needed to achieve cooperative Nash equilibrium in multi-actor environments with rampant private information (see B&G ch 5).

**[12] Thursday October 10<sup>th</sup>: Seminar**

The Role of Political, Economic, and Social Institutions in Development

1. Acemoglu, Daron, Simon Johnson, and James A. Robinson. (2005), "Institutions as a fundamental cause of long-run growth." *Handbook of Economic Growth* 1: 385-472.
2. North, Douglass C., John Joseph Wallace, and Barry R. Weingast, *A Conceptual Framework for Interpreting Recorded Human History* NBER working paper (2006)

Reading response prompts:

- a. In what ways is “open access” in North, Wallace and Weingast a superior institution? In what ways is open access threatened by the problems identified in Olson and Ostrom?
- b. AJR argue that political and economic institutions are designed by the conscious choice of those with de facto political power. Does this not ignore the coordination problem discussed by Olson and Ostrom?
- c. According to AJR, how do institutional reforms occur? Why are they rare? How is it that reforming the constitution solves the problem of transitory de facto political power?

**[13] Tuesday October 15<sup>th</sup>: Tutorial**

Culture, Natural Selection, and the Industrial Revolution

Readings:

1. *A Farewell to Alms*, Gregory Clark, Princeton University Press (2007): chapters 1-4, 6, 9, 11-13, 16, 17
2. *What Two Pasta Factories Tell Us About the Italian Economy*, NPR Planet Money Episode 400

*Tutorial Prompt:* What is the distinction between the cultural aspects at the center of Clark’s account and the institutional arrangements from NWW and AJR? Which is more susceptible to directive change? Do they suggest different avenues for the promotion of development by well-meaning outsiders?

**[14] Thursday October 17<sup>th</sup>: Seminar**

Poverty Traps

Reading:

1. Collier, *The Bottom Billion*

*Reading response prompt:* Is this new, policy-oriented reading consistent or at odds with our prior, more deeply theoretical readings? How would Acemoglu/Johnson/Robinson, Weingast/Wallis/North, or Clark respond to Collier's policy prescriptions for countries in the bottom billion? What would Collier suggest they are missing?

**[--] Tuesday October 22<sup>nd</sup>: No class, fall break**

**[15] Thursday October 24<sup>th</sup>: Seminar**

Asset Prices

Readings:

1. Bodie, Zvi and Robert Merton. 1998. *Finance*. Preliminary Edition. Prentice Hall. Chapters 7, 9.2.0
2. Shiller, Robert. 2005. *Irrational Exuberance*. Second Edition. Doubleday. Read pages 177-183, chapters 3&4, plus one of 5, 6, 7, 8, or 9.
3. *Curse of the Black Lotus*, NPR Planet Money Episode 609.

*Reading response prompt:* Consider the particular feedback channel explored in the additional chapter of Shiller that you chose to read (5-9). Is this channel likely to vary in strength over time? Is it subject to blunting or amplification by technology, regulation, social norms, and/or historical experience?

**[16] Tuesday October 29<sup>th</sup>: Tutorial**

Regulatory Independence

Readings:

1. Waller, Christopher (2011) "Independence + Accountability: Why the Fed is a Well-Designed Central Bank" *FRB St Louis Review* Sept/Oct 2011
2. DeBelle, Guy and Stanley Fischer (1994) "How Independent Should a Central Bank Be?"
3. Posen, Adam (1993) "Why central bank independence does not cause low inflation: There is no institutional fix for politics" in *Finance and the international economy: volume 7*, R O'Brien (ed.) Oxford: Oxford University Press, pp. 40-65.

*Tutorial Prompt:* Why is monetary policy given special consideration? Should the IRS be reorganized into an independent tax agency? What about other agencies such as the Pentagon, the ATF Bureau, etc.? How do we define when an area of policy should be insulated from daily control by elected officials as per an independent central bank?

**[--] Thursday October 31<sup>st</sup>: cancelled due to MUN**

**[17] Tuesday November 5<sup>th</sup>: Seminar**

Financial Oversight

Readings:

1. Barth, Caprio, and Levine, *Guardians of Finance* (chapters 2,3,4,8 plus first sections of 5,6,7)

*Reading response prompts:*

- a. According to BCL, what factors are responsible for financial crises and why are regulators incapable of stopping them?
- b. Why would a disclosure system work? How will this ultimately change the incentives of firm managers and investors and prevent an asset price bubble and crash?
- c. Why is the Sentinel necessary in a country with a free press?



**[18] Thursday November 7<sup>th</sup>: Seminar**

The Future of Work

Readings:

1. Autor, David (2015) "Why Are There Still So Many Jobs? The History and Future of Workplace Automation" *Journal of Economic Perspectives* 29(3): 3-30.
2. Mokyr, Vickers, and Ziebarth (2015) "The History of Technological Anxiety and the Future of Economic Growth: Is This Time Different?" *Journal of Economic Perspectives*, 29(3): 31-50.
3. Brynjolffson and McAfee, "Will Humans Go the Way of Horses?", (2015) *Foreign Affairs*
4. *The Machine Comes to Town*, NPR Planet Money Podcast #623

Reading response prompts:

- a. What is the process by which technological unemployment is temporary rather than permanent?
- b. What are potential threats to that process? Why might this time be different?
- c. What sorts of human skills are complimentary to technology today? What sorts of human skills are likely to exhibit such complementarities in the future?
- d. Would technological unemployment be evenly distributed? What are the distributional consequences? What are the likely price responses?
- e. What are the likely political responses?
- f. How should a society of extensive automation and technological unemployment handle the problem of distribution? Would the problem of scarcity remain?

**[20] Tuesday November 12<sup>th</sup>: Tutorial**

The Labor Share

Readings:

1. Weil, David (2014) *The Fissured Workplace*, pp 1-16, 76-92
2. Guellec and Paunov (2017) "Digital Innovation and the Distribution of Income" NBER working paper 23987, pp 1-3, 6-19, 23-25.

*Tutorial Prompt:* Choose one and respond:

- (a) Increasing income inequality is an inevitable byproduct of increased economic efficiency
- (b) Technological unemployment and the fissured workplace are separate, unrelated trends affecting workers
- (c) The decline of the labor share represents a failure of economic regulation.

**[21] Thursday November 14<sup>th</sup>: Seminar**

Globalization...

Readings:

1. Irwin, Douglas. (2015) *Free Trade Under Fire*. Fourth Edition. Princeton University Press. Chapters 1-4.

*Reading response prompt:* Identify an aspect of trade discussed by Irwin that is poorly understood by the public. Discuss why and to what effect.

**[22] Tuesday November 20<sup>th</sup>: Tutorial**

...and its Discontents

Readings:

1. Rodrik, Dani. (1997) *Has Globalization Gone too Far?* Institute for International Economics.

*Tutorial Prompt:* The Trans-Pacific Partnership included myriad complex provisions. To simplify, consider them as follows: (a) elimination of tariffs on manufactured goods and agricultural products; (b) robust enforceable provisions for environmental commitments such as wildlife trafficking, illegal logging, and illegal fishing; (c) prohibition of child and

forced labor, right to collective bargaining, and prohibition of employment discrimination; (d) expansion of copyright protection to US standards. Presuming these are at least somewhat enforced, speculate on whether this would improve the social tensions from globalization that Rodrik outlines. Try to reason according to the logic espoused in Irwin, starting from the effects of comparative advantage, proceeding through the effects on the various factors of production, and thence to the owners of those factors.

**[23] Thursday November 22<sup>nd</sup>: Seminar**

Homo Economicus

Readings:

1. Thaler, Richard and Cass Sunstein (2008) *Nudge*, chapters 1-3.
2. Kahneman, Daniel and Amos Tversky (2000) "Choices, Values, and Frames" in *Choices, Values, and Frames*, ed. By Kahneman and Tversky, p 1-16.

*Reading Response Prompt:* How does the deviation of human behavior from the rational *homo economicus* affect Hayek's view of markets? The proper balance between market and government allocation? Any other results we have discussed in this class?

**[24] Tuesday November 27<sup>th</sup>: Tutorial**

Libertarian Paternalism

1. Sunstein, Cass and Richard Thaler (2003), "Libertarian Paternalism is Not an Oxymoron" *University of Chicago Law review*, 1159-1202.
2. Schwartz, Barry and Andrew Ward (2004), "Doing Better but Feeling Worse: The Paradox of Choice"
3. Rizzo, Mario and Douglas Whitman (2009), "The Knowledge Problem of New Paternalism" *BYU Law Review*, pp 905-968.

*Tutorial Prompt:* Do the paradoxical effects of choice noted by Schwartz and Ward mitigate the critiques of libertarian paternalism levied by Rizzo and Whitman?

**[--] Thursday November 29<sup>th</sup>: No class, Thanksgiving**

**[19] Tuesday December 3<sup>rd</sup>: Seminar**

Cost Disease

Readings:

1. Baumol, William J. (1967) "Macroeconomics of Unbalanced Growth: The Anatomy of Urban Crisis" *American Economic Review* 57(3) 415-426.
2. Baumol, William J. (1993) "Health care, education and the cost disease: A looming crisis for public choice" *Public Choice* 77: 17-28.

*Reading Response Prompt:* Baumol (1993) argues that cost disease is not fundamentally a problem because society is richer and can afford more of everything even as relative prices between progressive and stagnant sectors become more extreme. True or false? Whatever your conclusion, you should identify and articulate counter-arguments. You will likely find it relevant to discuss the labor and product market shifts noted in our previous meetings.

**[--] Thursday December 5<sup>th</sup>: no class, prepare final projects**

**[--] Tuesday December 10<sup>th</sup>: no class, prepare final projects**

**[25] Thursday December 12<sup>th</sup>: Presentations of Final Projects [12-4pm, lunch provided]**