

Introduction to Political Economy

Econ 119 / Poli 145

Fall 2012

M-W 10:05-11:20 a.m.

Prof. Michael Munger

Office: Perkins 338

Office Hours:

- Immediately after class, in Trinity Cafe
 - Tuesday 1:30-3:00 pm in Perkins 338
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Class: White Lecture Hall

munger@duke.edu

cell phone (emergencies only!): 919 369 6453

Teaching Assistant: Anna Schultz

email: anna.schultz@duke.edu

Overview: This course serves three distinct purposes.

- The course is an introduction to economics for non-majors. It is a self-contained and non-technical overview of the history of economic thought, the logic of microeconomic analysis, and the definitions of everyday terms and concepts in the macro economy. Consequently, it counts as a stand-alone Social Science credit, *but it does not count toward an Economics major*. If you are thinking of an Economics major, this class is a waste of your time. Get the math prereq's out of the way and then take Econ 51 instead.
- It is an introduction to the history of the notion of a *political* economy, with an emphasis on the moral and ethical problems that markets solve, and also those that markets fail to solve. Consequently it carries an Ethical Inquiry (EI) course credit.
- It is a bridge to more advanced courses in philosophy, politics, and economics for the student who wants to sample these disciplines without committing to several semesters of coursework.

Prerequisites: There are no prerequisites except for high school mathematics. On the other hand, the reading and studying commitments involved in this course are extensive. The student will need to master both a large quantity of historical and philosophical material, and several books, as well as the basic micro theory and macro concepts in the Mankiw text. The exams and reaction papers are quite demanding. In short, while this is an introductory course, it is by no means an easy one.

Community Standard: By being a member of the Duke community, you are pledging to adhere to the Duke Community Standard (see <http://www.integrity.duke.edu/faq/faq1.html>). For advice on how to cite sources and avoid plagiarism, see <http://library.duke.edu/research/plagiarism/index.html>. A personal note: I have zero qualms, none, about pursuing plagiarism cases with every ounce of energy I possess. You will fail the course, and you will be kicked out of school. With the Internet and search engines, it's almost too easy to detect. Look, if you found it on Google, I can find it on Google. Don't be an idiot. "F: Plagiarism" is forever.

Grades: Grades will be based on 3 five page (1200 word) "reaction" papers (total of 24%), Monday quizzes on "virtual sections" (total of 10%), a midterm (31%), & a final (35%).

Reaction Papers: Three outside speakers will present lectures. The lectures will be recorded for those who cannot attend the lecture. Each "reaction" paper is 8%, for a total of 24%. You will be working closely with the Teaching Assistant, Somebody (somebody@duke.edu) on these papers. The papers must accomplish three things:

- (a) Summarize the main argument(s) of the outside speaker
- (b) tie those arguments analytically and critically to themes of the class
- (c) present a coherent and well-thought-out argument either agreeing or disagreeing with the speaker, and giving reasons why

Quizzes: Ten percent of your final grade will be made up of your average on the quizzes given every Monday. Unexcused absences count as zeroes. The quizzes will be made up of three or four short, specific multiple choice questions. If you listened to the podcast, you should be able to answer these questions easily. I am not looking for you to study for the quizzes, just listen to the podcast and get credit.

Midterm: **The midterm will be given in class, on Monday, October 29.** The format will be a combination of 40 multiple choice questions and 10 short answer questions. Each multiple choice question will count two points, and each short answer will count two points, for a total of 100. The midterm counts 31% of the overall grade. If you cannot take the midterm on this date, tell me before class on Wednesday, September 12. No non-medical excuses will be accepted after that date.

Final: The final will be given in the regular exam period, as determined the Office of the Registrar. **For this class, this means that the final will be held on Saturday, December 15, 2 pm to 5 pm.** No make-up final exams will be given without a medical excuse, or advance notice. The final will be composed of 3 essay questions, chosen at random from 12 questions that will be given to the class two weeks before the date of the final. The final counts 35% of the overall grade.

Textbooks: The following books are available at Duke Bookstore. ISBNs included so you can see if you can find used versions cheaper on-line

- Bernstein, *Splendid Exchange*, ISBN: 9780802144164
- Leeson, *The Invisible Hook*, ISBN: 9780691150093
- Mankiw, *Principles of Economics* (6th edition), ISBN: 9780538453059

Class Meetings: Classes will normally meet for lecture on Monday and Wednesday of each week. In addition, each week there will *also* be an outside speaker, or a podcast assignment, instead of meeting for "section." Podcasts will be provided by link to a downloadable mp3; outside speakers will be recorded so that their speeches can be downloaded as mp3s also. Each Monday class will begin with a short quiz on the podcast or lecture.

Schedule of Meetings and Assignments:

[\(Skip Down to “Course Schedule at a Glance”\)](#)

Monday, August 27: Introduction—Discuss Syllabus, Assignments, Textbooks, & Expectations.

READINGS:

- Keech & Munger, “Political Economy,” *Encyclopedia of Social Science* (Sakai)
- L. Read, “I, Pencil” (LINK: <http://www.econlib.org/library/Essays/rdPnc11.html>)
- Bastiat, *Essays, What is Seen and Not Seen*, sections 1-5, paragraphs 1-94. (LINK: <http://www.econlib.org/library/Bastiat/basEss1.html>)
- Smith, *The Wealth of Nations*, Book I, Chapters 1-4 (LINK: <http://www.econlib.org/library/Smith/smWN1.html#B.I, Ch.1, Of the Division of Labor>)

Wednesday, August 29: The Problem of Exchange and the Origins of Markets

READINGS:

- Aristotle, *Nicomachean Ethics*, Books III and V, (LINK: <http://classics.mit.edu/Aristotle/nicomachaen.mb.txt>)
- Munger, “I’ll Stick With These,” Liberty Fund (LINK: <http://www.econlib.org/library/Columns/y2007/Mungerpins.html>)
- Radford, R. A. 1945. “The Economics of a POW Camp,” *Economica*. (Sakai)

Week 1 Virtual Section: Dr. John Lewis, Duke University: “Morality of Exchange in Greece and Rome.” (<http://www.michaelmunger.com/Lewis9-7-11-Final.mp3>)

Monday, September 3: Exchange in the Ancient and Medieval World.

1. Reminder: Virtual Section Quiz at beginning of class

READINGS:

- Aquinas, *Summa Theologica*, Questions 75-78. (LINK) <http://www.sacred-texts.com/chr/aquinas/summa/index.htm>
- Ekelund, R., and R. Hébert, *A History of Economic Thought and Method* (Long Grove, Illinois: Waveland Press, Inc., 5th Edition, 2007, Chapter 2, “Ancient and Medieval Economic Thought and Institutions” (Sakai)

Wednesday, September 5: Video: Michael Sandel—Justice and Virtue in Aristotle’s Conception

<http://www.justiceharvard.org/2011/02/episode-10/#watch>

Week 2 Virtual Section: Ethics and Prices

(a) Dr. Anthony Kenny, Oxford University: “The Ethics of Aquinas.”

(<http://cdn2.libsyn.com/philosophybites/KennyAquinas.mp3?nvb=20080518092115&nva=20080519092115&t=05b4de85c22beb6e47bdd>)

(b) Dr. Michael Sandel, Harvard University: “On What Should Not Be Sold”

(http://cdn2.libsyn.com/philosophybites/Michael_Sandel_on_What_Shouldnt_Be_Sold.mp3?nvb=20090528233546&nva=20090529234546&t=023e6ebe681e5a5d14540)

Monday, September 10: “Strings Attached”—A lecture by Prof. Ruth Grant, Duke University

1. Your Reaction Paper will be due on Wednesday, September 19, beginning of class
2. Reminder: Virtual Section Quiz at beginning of class

READINGS:

- R.W. Grant. "Ethics and Incentives: A Political Approach." *American Political Science Review* (February, 2006). (Sakai)
- Book Review: New York Times, "STRINGS ATTACHED," February 4, 2012 <http://www.nytimes.com/2012/02/05/business/strings-attached-looks-at-incentives-and-ethics-review.html>

Wednesday, September 12: Interdependence and the gains from trade

READINGS:

- Mankiw, Principles, Chapters 1-3
- Video:
- Video: Trade is Made of Win (Art Carden)
Part I: <https://www.learnliberty.org/content/trade-made-win-part-1-wealth-creation>
Part II: <http://www.learnliberty.org/content/trade-made-win-part-2-cooperation>

Week 3 Virtual Section: "The Travels of a T-Shirt in the Global Economy," Dr. Pietra Rivoli

Link: <http://www.youtube.com/watch?v=9yYQqKxz8Tg>

Monday, September 17: Supply and Demand: Price as a Directive Force

1. Reaction paper 1 due!!
2. Reminder: Virtual Section Quiz at beginning of class

READINGS:

- Hayek "The Use of Knowledge in Society," AER 1945
(LINK) <http://www.econlib.org/library/Essays/hykKnw1.html>
- Locke, "Venditio" (Sakai)
- Munger, "A Fable of the OC"
(LINK: <http://www.econlib.org/library/Columns/y2006/Mungeropportunitycost.html>)
- Mankiw, Principles, Chapter 4

Wednesday, September 19: Elasticity: A Family of Measures of Responsiveness

READINGS:

- Mankiw, Principles, Chapter 5

Week 4 Virtual Section: Division of Labor

(http://www.econtalk.org/archives/2007/04/mike_munger_on.html)

Monday, September 24: Managing Price: Government Policies

1. Virtual Section Quiz, Beginning of Class

READINGS:

- Mankiw, Principles, Chapter 6
- Matt Zwolinski, "Is Price Gouging Immoral?"
(Link: http://www.youtube.com/watch?feature=player_embedded&v=h9QEkw6_O6w)
- Munger, "They Clapped," Liberty Fund <http://www.econlib.org/library/Columns/y2007/Mungergouging.html>

Wednesday, September 26: Consumers: Who Is Sovereign? What is Voluntary?

READINGS:

- Mankiw, Principles, Chapter 7
- Munger, Michael. 2011. Euvoluntary or Not, Exchange is Just. Social Philosophy and Policy. (Sakai)

Week 5 Virtual Section: Price Controls and Restricting Transactions

(http://www.econtalk.org/archives/2009/10/munger_on_short.html)

Monday, October 1: Taxation and Rent-Seeking

1. **Virtual Section Quiz, Beginning of Class**

READINGS:

- Mankiw, Principles, Chapter 8
- Munger, “Rent Seek and You Will Find,” Liberty Fund, <http://www.econlib.org/library/Columns/y2006/Mungerrentseeking.html>

Wednesday, October 3: International Trade

READINGS:

- Mankiw, Principles, Chapter 9
- Bernstein, Splendid Exchange, Intro and Chapter 1
- Munger, “Market Makers or Parasites?” Liberty Fund <http://www.econlib.org/library/Columns/y2009/Mungermiddlemen.html>

Week 6 Virtual Section: Global Economics, Global

Exchange <http://www.youtube.com/watch?v=xRJZWfqWcs0>

Monday, October 8: “Public Choice and Problems of Democracy.” —A lecture by Prof. Loren Lomasky, University of Virginia

1. **Virtual Section Quiz, Beginning of Class**

2. **Your Reaction Paper will be due on Wednesday, October 17, beginning of class**

READINGS:

- Mankiw, Principles, Chapter 10
- Two Steves and One Soichiro—Government and Innovation (LINK: <http://www.econlib.org/library/Columns/y2006/Mungercollectivism.html>)

Wednesday, October 10: Public Goods and Common Pool Resources

READINGS:

- Mankiw, Principles, Chapter 11
- Hardin, “The Tragedy of the Commons,” (Sakai)
- Munger, “Think Globally, Act Irrationally” Liberty Fund <http://www.econlib.org/library/Columns/y2007/Mungerrecycling.html>

Week 7 Virtual Section: Is National Public Radio a Public Good? (Planet Money)

(<http://www.npr.org/blogs/money/2011/03/28/134863998/the-friday-podcast-economists-on-federal-funding-for-npr>)

Monday, October 15: NO CLASS -- FALL BREAK!

Wednesday, October 17: Taxes

1. Reaction Paper 2 due!
2. Virtual Section Quiz, Beginning of Class

READINGS:

- Mankiw, Principles, Chapter 12

Week 8 Virtual Section: Taxes and Inequality—David Schmitz

(LINK: http://www.econtalk.org/archives/2012/05/schmitz_on_raw.html)

Monday, October 22: Costs of Production and Competitive Firms

1. Virtual Section Quiz, Beginning of Class

READINGS:

- Mankiw, Principles, Chapters 13-14

Wednesday, October 24: Monopoly And review for midterm!!!

READINGS:

- Mankiw, Principles, Chapter 15

Week 9 Virtual Section: Richard Epstein, Univ. of Chicago. Innovations: Do Drug Patents Stifle Progress? (LINK: http://www.econtalk.org/archives/2007/02/richard_epstein.html)

Monday, October 29: MIDTERM

(Virtual Section Quiz will be part of midterm)

Wednesday, October 31: The History of Capitalism and Trade

READINGS:

- Greif, Avner. 2006. "Commitment, Coercion, and Markets." Handbook of New Institutional Economics. (Sakai)
- Bernstein, Chapters 2-3

Week 10 Virtual Section: G. A. Cohen, "A Critique of Capitalism."

(LINK: <http://thesocietypages.org/socimages/2011/12/26/a-critique-of-capitalism-by-g-a-cohen/>)

Monday, November 5: Pirates! And Gangs...

1. Virtual Section Quiz, Beginning of Class

READINGS:

- Dr. David Skarbek, 2011. "Governance and Prison Gangs." American Political Science Review. (Sakai)
- Dr. Peter Leeson, The Invisible Hook, 2010, Princeton University Press.

Wednesday, November 7: More Pirates....

READINGS:

- Dr. Peter Leeson, The Invisible Hook, 2010, Princeton University Press.

Week 11 Virtual Section: Peter Leeson and the Economics of Piracy http://www.econtalk.org/archives/2009/05/leeson_on_pirat.html

Monday, November 12: The Beginnings of the Modern Trade System

1. **Virtual Section Quiz, Beginning of Class**

READINGS:

- Bernstein, Chapters 4-7

Wednesday, November 14: Growth of Trade, Path Dependence, and Standards: A QWERTY Example— A lecture by Prof. Stephen Margolis, NC State University

1. **Your Reaction Paper will be due on Monday, November 26, after holiday, beginning of class**

READINGS:

- Liebowitz and Margolis, 1990, “The Fable of the Keys,” Journal of Law and Economics. (Sakai).
- Bernstein, Chapters 8-11

Week 12 Virtual Section: Globalization and Development Problems
http://www.econtalk.org/archives/2011/04/rodrik_on_globa.html

Monday, November 19: Earnings, Discrimination, and Inequality

1. **Virtual Section Quiz, Beginning of Class**

READINGS:

- Mankiw, Principles, Chapters 18-20

Wednesday, November 21: NO CLASS! THANKSGIVING BREAK

Week 13 Virtual Section: NONE. Work on your paper, and have a good break.

Monday, November 26: Growth and Finance

READINGS:

- Mankiw, Principles, Chapters 25-27

1. **Reaction Paper #4 Due, Beginning of Class**

Wednesday, November 28: Money

READINGS:

- Mankiw, Principles, Chapters 29-30
- The Importance of the Dollar as World Currency (Podcast with Barry Eichengreen) (http://www.econtalk.org/archives/2011/06/eichengreen_on.html)

Week 14 Virtual Section: Niall Ferguson on Money: “From Bullion to Bubbles”
<http://video.pbs.org/video/1170821435>

Monday, December 3: The Open Economy Model

1. **Virtual Section Quiz, Beginning of Class**

READINGS:

- Mankiw, Principles, Chapters 31-32
- Bernstein, Chapters 13

Wednesday, December 5: Parting is Such Sweet Sorrow--Review for Final

FINAL EXAM (SCHEDULED BY REGISTRAR)

Saturday, December 15: 2:00 to 5:00 pm

Course Schedule At A Glance:

I. Midterm and Final Dates

Midterm: Monday October 29, Normal Class Time and Room

Final: December 11-16

II. Outside Speaker Schedule and Reaction Paper Due Dates

*Monday, September 10: "Strings Attached"—A lecture by Prof. Ruth Grant, Duke University
(REACTION PAPER DUE Wednesday September 19)*

Monday, October 8: "Public Choice and Problems of Democracy." —A lecture by Prof. Loren Lomasky, University of Virginia (REACTION PAPER DUE Wednesday October 17)

Wednesday, November 10: Growth of Trade, Path Dependence, and Standards: A QWERTY Example— A lecture by Prof. Stephen Margolis, NC State University (REACTION PAPER DUE Monday November 22)

III. Podcast and Quiz Schedule

Week 1 Virtual Section: Dr. John Lewis, Duke University: "Morality of Exchange in Greece and Rome." (<http://www.michaelmunger.com/Lewis9-7-11-Final.mp3>)

Quiz: September 3

Week 2 Virtual Section: Ethics and Prices

(a) Dr. Anthony Kenny, Oxford University: "The Ethics of Aquinas."

(<http://cdn2.libsyn.com/philosophybites/KennyAquinas.mp3?nvb=20080518092115&nva=20080519092115&t=05b4de85c22beb6e47bdd>)

(b) Dr. Michael Sandel, Harvard University: "On What Should Not Be Sold"

(http://cdn2.libsyn.com/philosophybites/Michael_Sandel_on_What_Shouldnt_Be_Sold.mp3?nvb=20090528233546&nva=20090529234546&t=023e6ebe681e5a5d14540)

Quiz: September 10

Week 3 Virtual Section: "The Travels of a T-Shirt in the Global Economy," Dr. Pietra Rivoli

Link: <http://www.youtube.com/watch?v=9yYQqKxz8Tg>

Quiz: September 17

Week 4 Virtual Section: Division of Labor

(http://www.econtalk.org/archives/2007/04/mike_munger_on.html)

Quiz: September 24

- Week 5 Virtual Section:** Price Controls and Restricting Transactions
(http://www.econtalk.org/archives/2009/10/munger_on_short.html)
Quiz: October 1
- Week 6 Virtual Section:** Global Economics, Global Exchange
(<http://www.youtube.com/watch?v=xRJZWfqWcs0>)
Quiz: October 8
- Week 7 Virtual Section:** Is National Public Radio a Public Good? (Planet Money)
(<http://www.npr.org/blogs/money/2011/03/28/134863998/the-friday-podcast-economists-on-federal-funding-for-npr>)
Quiz: October 15
- Week 8 Virtual Section:** Taxes and Inequality—David Schmidtz
(LINK: http://www.econtalk.org/archives/2012/05/schmidtz_on_raw.html)
Quiz: October 22
- Week 9 Virtual Section:** Richard Epstein, Univ. of Chicago. Innovations: Do Drug Patents Stifle Progress? (LINK: http://www.econtalk.org/archives/2007/02/richard_epstein.html)
Quiz: October 29
- Week 10 Virtual Section:** G. A. Cohen, “A Critique of Capitalism.”
(LINK: <http://thesocietypages.org/socimages/2011/12/26/a-critique-of-capitalism-by-g-a-cohen/>)
Quiz: November 5
- Week 11 Virtual Section:** Peter Leeson and the Economics of Piracy
(http://www.econtalk.org/archives/2009/05/leeson_on_pirat.html)
Quiz: November 12
- Week 12 Virtual Section:** Globalization and Development Problems
(http://www.econtalk.org/archives/2011/04/rodrik_on_globa.html) Quiz: November 19
- Week 13 Virtual Section:** NONE. Work on your paper, and have a good break.
- Week 14 Virtual Section:** Niall Ferguson on Money: “From Bullion to Bubbles”
(<http://video.pbs.org/video/1170821435>) Quiz: December 3

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