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

Professor Cameron Shelton
Email: cshelton@cmc.edu

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 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:

<table>
<thead>
<tr>
<th>Tutorial:</th>
<th>Seminar:</th>
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</thead>
<tbody>
<tr>
<td>4 Tutorial papers: 60%</td>
<td>12 Reading responses: 50%</td>
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<tr>
<td>4 Tutorial responses: 20%</td>
<td>Participation grade: 20%</td>
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<tr>
<td>Participation in tutorial: 20%</td>
<td>Final project: 30%</td>
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</table>

**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.


**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 13th 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:

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

[1] Introduction,
The Role of Markets
Readings:
3. The Free Food Market, NPR Planet Money Episode 665

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

The Limits of Markets
Readings:

Contract Theory
Readings:

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 17th: Tutorial
Market Design
Readings:

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.
Respondent: 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?

Theories of the Firm
Readings:

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 24th: Lecture on Game Theory: Basics and Repeated Games
Readings: none

[8] Thursday September 26th: Lecture on Game Theory: Bayesian Games and Evolutionary Game Theory
Readings: none

[9] Tuesday October 1st: Tutorial
The Firm
Readings

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 3rd: 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 4th, 5pm.

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!)

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 10th: Seminar
The Role of Political, Economic, and Social Institutions in Development


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?

Culture, Natural Selection, and the Industrial Revolution
Readings:
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 17th: 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 22nd: No class, fall break


Asset Prices

Readings:

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 29th: Tutorial

Regulatory Independence

Readings:

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 31st: cancelled due to MUN

[17] Tuesday November 5th: 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 7th: Seminar
The Future of Work
Readings:
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 12th: Tutorial
The Labor Share
Readings:

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 14th: Seminar
Globalization…
Readings:

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 20th: Tutorial
…and its Discontents
Readings:

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 22nd: Seminar
Homo Economicus
Readings:

*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 27th: Tutorial
Libertarian Paternalism

*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 29th: No class, Thanksgiving

[25] Tuesday December 3rd: Seminar
Cost Disease
Readings:

*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 5th: no class, prepare final projects

[---] Tuesday December 10th: no class, prepare final projects

[25] Thursday December 12th: Presentations of Final Projects [12-4pm, lunch provided]