PPE 110A&B – Economics Seminar and Tutorial  
Fall 2022 Syllabus

Professor Cameron Shelton  
Email: cshelton@cmc.edu

Office: Bauer North 322  
Office Hours: Thursday 8:30 - Noon

Seminar: Bauer Center 2: specified Mondays and Wednesdays 2:00pm-4:45pm  
Tutorial: Bauer North 322: specified Mondays, one hour by assignment between 9am and 4pm.

Course Description

Tutorial

Tutorial is loosely modeled on the traditional Oxbridge model. Eight of out twenty-six 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 Monday, in my office, 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 5pm Saturday. Comments must be emailed to me prior to arriving at my office. 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 to discuss the readings. 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. There will be breaks.

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 quite short, should nonetheless be structured as 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 Noon 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 fourteen seminar meetings. Your grade will be based on twelve responses; you may choose which two to skip. (You may not turn in fourteen and have the lowest grades dropped. If you do all
fourteen, I will simply not grade the last two.) A further 20% of your seminar grade will be determined by the
gility 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 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>
</tr>
<tr>
<td>4 Tutorial responses: 20%</td>
<td>Participation in seminar: 20%</td>
</tr>
<tr>
<td>Participation in tutorial: 20%</td>
<td>Final project: 30%</td>
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</tbody>
</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 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 third of a 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. If you need to quarantine, please let me know as soon as possible and
be prepared to join via Zoom.

Obviously, all work must be your own. If in doubt, cite! Possible violations of academic integrity will be
reported to the Academic Standards Committee.
**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 May 6th in our final session. This session will last from 12:30pm to 4:30pm. 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 and 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>Mon 29-Aug</td>
<td>Welcome, syllabus, ground rules / Lecture: The Welfare Theorems</td>
<td>None</td>
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<tr>
<td>2</td>
<td>Wed 31-Aug</td>
<td>Seminar: The Role of Markets</td>
<td>50 + pc</td>
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<td>--</td>
<td>Mon 5-Sep</td>
<td>no meeting: Labor Day</td>
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<td>3</td>
<td>Wed 7-Sep</td>
<td>Seminar: Contract Theory</td>
<td>55</td>
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<td>4</td>
<td>Mon 12-Sep</td>
<td>Tutorial 1: Market Design</td>
<td>63</td>
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<td>5</td>
<td>Wed 14-Sep</td>
<td>Seminar: Homo Economicus</td>
<td>159</td>
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<td>6</td>
<td>Mon 19-Sep</td>
<td>Tutorial 2: Libertarian Paternalism</td>
<td>39</td>
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<td>7</td>
<td>Wed 21-Sep</td>
<td>Seminar: Willingness to Pay, Value of a Statistical Life, Cost Benefit</td>
<td>45</td>
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<td>8</td>
<td>Mon 26-Sep</td>
<td>Seminar: Theory of the Firm</td>
<td>85</td>
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<td>9</td>
<td>Wed 28-Sep</td>
<td>Seminar: Game Theory Basics &amp; Repeated Games</td>
<td>142</td>
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<td>10</td>
<td>Mon 3-Oct</td>
<td>Seminar: Bayesian Games &amp; Evolutionary Game Theory</td>
<td>96</td>
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<td>11</td>
<td>Wed 5-Oct</td>
<td>Seminar: Labor market discrimination (race)</td>
<td>52 + pc</td>
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<tr>
<td>12</td>
<td>Mon 10-Oct</td>
<td>Tutorial 3: Corporate Culture</td>
<td>50</td>
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<td>13</td>
<td>Wed 12-Oct</td>
<td>Seminar: Labor market discrimination (gender)</td>
<td>41</td>
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<td>Mon 17-Oct</td>
<td>no meeting: Fall break</td>
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<td>14</td>
<td>Wed 19-Oct</td>
<td>Seminar: Collective Action</td>
<td>100</td>
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<td>15</td>
<td>Mon 24-Oct</td>
<td>Tutorial 4: Social Norms</td>
<td>100</td>
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<tr>
<td>16</td>
<td>Wed 26-Oct</td>
<td>Seminar: The Role of Political &amp; Economic Institutions in Development</td>
<td>160</td>
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<tr>
<td>17</td>
<td>Mon 31-Oct</td>
<td>Tutorial 5: Culture and Development</td>
<td>235</td>
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<td>18</td>
<td>Wed 2-Nov</td>
<td>Seminar: Poverty Traps</td>
<td>200</td>
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<td>19</td>
<td>Mon 7-Nov</td>
<td>Seminar: Future of Work</td>
<td>55 + pc</td>
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<td>20</td>
<td>Wed 9-Nov</td>
<td>Seminar: Cost Disease</td>
<td>60</td>
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<td>21</td>
<td>Mon 14-Nov</td>
<td>Tutorial 6: The Labor Share</td>
<td>50</td>
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<tr>
<td>22</td>
<td>Wed 16-Nov</td>
<td>Seminar: Asset Prices</td>
<td>100 + pc</td>
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<td>23</td>
<td>Mon 21-Nov</td>
<td>Tutorial 7: Financial Oversight</td>
<td>137</td>
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<td>24</td>
<td>Wed 23-Nov</td>
<td>no meeting: Thanksgiving break</td>
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<tr>
<td>25</td>
<td>Mon 28-Nov</td>
<td>Seminar: Free Trade</td>
<td>160</td>
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<td>--</td>
<td>Wed 30-Nov</td>
<td>No meeting: work on final projects</td>
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<td>--</td>
<td>Mon 5-Dec</td>
<td>Tutorial 8: Tensions Between Trade and Social Arrangements</td>
<td>90</td>
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<tr>
<td>26</td>
<td>Wed 7-Dec</td>
<td>No meeting: work on final projects</td>
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Final projects will be presented during our registrar scheduled finals slot, though we will need to lengthen it to 4 hours and a meal will be catered.
Class Schedule Detail

[1] Monday, August 29th
Introduction, Syllabus, Welfare Theorems

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

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 a uni-dimensional price preserve local knowledge?
   d. How are prediction markets fundamentally different from more familiar markets for goods and services?

[---] Monday September 5th: No class, Labor Day

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 what?

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. Discuss the likely strengths and shortcomings of your particular case, referencing the articles. Who will trade? Why will they? What is the distribution of information? Does this market meet an obvious need? Is it well-designed and likely to induce effective information aggregation?
Libertarian Paternalism
Readings:

Reading response prompts:

   a. How does the deviation of human behavior from the rational homo economicus affect Hayek’s view of markets? Or our views of efficient contracting?
   b. Under what circumstances do Rizzo and Whitman’s critiques invalidate nudges?

Choice: Too Much of a Good Thing?
Readings:

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

Willingness to Pay, Value of a Statistical Life, Cost-Benefit Analysis
Readings:

Reading response prompts: Would you use SP or RP for conducting cost-benefit analysis of interventions designed to abate global warming? What about for restrictions of activity during a pandemic?

[8] Monday September 26th: Seminar
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 four theories mutually exclusive?

[9] Wednesday September 28th: Game Theory: Basics, Repeated Games, and Focal Points

Readings:

1. Dixit, Avinash and Susan Skeath, *Games of Strategy* (2nd ed) chapters 1,3,4,9  
   (The assigned sections are on Sakai.)


Readings:

1. Dixit, Avinash and Susan Skeath, *Games of Strategy* (2nd ed) chapters 11, 12, 13  
   (The assigned sections are on Sakai.)


Labor market discrimination (race)

Readings:

1. Lang, Kevin, *Poverty and Discrimination*, chapters 10,11  
   (This is available via the library as an online e-book.)
2. NPR podcast: gap jumpers

Reading response prompts:

a) How might racial segregation in housing interact with prejudice to produce labor market discrimination?

b) Is statistical discrimination possible in an age of extensive, standardized credentialing?

c) Relate the gap-jumpers idea to the textbook theories of Lang. Does it fit with ability to evaluate, self-confirming expectations, something else?

d) Design and propose an audit experiment.

e) How do we square the results of audit experiments with the previous chapters’ theories showing that well-functioning labor markets ought to eliminate the role of prejudice? Does the evidence suggest a segregated labor market as some of the theories predicted?

f) Economists talk about omitted variables—important factors we cannot measure—making it hard to understand statistical relationships. What are some examples in the literature on labor market discrimination? More generally, what are the challenges to measuring the extent of discrimination in the labor market?

g) Pick one of the facts and discuss how it fits with other evidence in these materials, how we know it’s true, and what it implies. E.g. No wage differential between black and white men with a college degree but a substantial earnings gap for college dropouts (p301).


Corporate Culture

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?

Labor market discrimination (gender)
Readings:

Reading response prompts:
   a. Antecol and Bedard find that the main determinants of the Mexican/white and the black/white wage gaps among women differ. How should we interpret this in light of the theory of last week (or Goldin’s paper this week)? In other words, what theoretical explanations might fit this fact?
   b. It is frequently stated that women earn 77 cents of every dollar a man earns for doing the same job. Evaluate or discuss this statistic in light of what we have read. What interpretations and conclusions of this headline statistic are relevant and supportable and which are not?
   c. Pick a commonly advanced policy advocated on the basis of closing the gender earnings gap. Consider it in light of what we have learned.

[--] Monday October 17th: No class, fall break

[14] Wednesday October 19th: 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 prompts: 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 March 5th, 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).

[16] Wednesday October 26th: Seminar
The Role of Political and Economic Institutions in Development
Readings:

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?

**[17] Monday October 31st: Tutorial**

*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?

**[18] Wednesday November 2nd: 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 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?

**[19] Monday 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] Wednesday November 9th: 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.

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.

[22] Wednesday November 16th: Seminar
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?

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?

[---] Wednesday November 23rd: No class, Thanksgiving

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.

[---] Wednesday November 30th: no class, prepare final projects

...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 intellectual property protection to US standards. Presuming these are at least somewhat enforced, speculate on whether this would ameliorate 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.

[---] Wednesday December 7th: no class, prepare final projects

Presentations of Final Projects will take place during finals week. I hope to schedule a 4-hour slot with a catered meal. The timing will not be finalized until after the registrar releases the finals schedule.