

Introduction to Political Economy

Econ 48 / Poli 75

Fall 2011

T-Th 1:15-2:30 p.m.
Prof. Michael Munger

Office: Perkins 338

Class: Nasher 105

munger@duke.edu

cell phone (emergencies only!): 919 369 6453

Teaching Assistant: Chris DeSante

christopher.desante@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 5 short "reaction" papers (25%), Tuesday in-class quizzes on podcasts (5%), a midterm (35%), & a final (35%).

Reaction Papers: Five outside speakers will present lectures. The lectures will be recorded for those who cannot attend the lecture. However, as an inducement to attend, each student who *physically attends the lecture will get 1 point extra credit on the final exam* (5 extra points max, one for each lecture). Each student will write a 1,000 word "reaction" paper after each lecture, answering a prompt that will be sent out by the instructor. Each "reaction" paper is 5%, for a total of 25%. You will be working closely with the Teaching Assistant, Chris DeSante (christopher.desante@duke.edu) on these papers.

PSRP: In addition to the graded assignments in this section, students enrolled in PolSci 75 are strongly encouraged to participate in the Political Science experimental subject pool. Students will need to participate in 3 hours of Political Science Research Pool (PSRP) studies over the course of the semester to receive a 1% extra credit toward their final grade (That's 1% on the final grade, equivalent to 3% on the midterm!). More information on this option is available at <http://www.duke.edu/web/psrp> . If you wish to participate, you can register at: <http://duke-psrp.sona-systems.com> .

Quizzes: Five percent of your final grade will be made up of your average on the quizzes given every Tuesday. Unexcused absences count as zeroes. The quizzes will be made up of two short, specific 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 Thursday, October 27.** 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 40% of the overall grade. If you cannot take the midterm on this date, tell me before class on Thursday, September 15. 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 Wednesday, December 14, 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 40% 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

- Backhouse, Ordinary Business of Life, ISBN: 9780691116297
- Bernstein, Splendid Exchange, ISBN: 9780802144164
- Mankiw, Principles of Economics (6th **edition**), ISBN: 9780538453059

Class Meetings: Classes will normally meet for lecture on Tuesday and Thursday 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. *However, it is important to try to attend the speeches in person, because each speaker whose talk you attend is worth 1 point of extra credit on the final exam.* Each Tuesday class will begin with a short quiz on the podcast or lecture, *except* on weeks where there is a reaction paper assigned.

Schedule of Meetings and Assignments:

(Skip Down to "Course Schedule at a Glance")

Tuesday, August 30: Introduction—Discuss Syllabus, Assignments, Textbooks, & Expectations.
READINGS:

- Keech & Munger, "Political Economy," Encyclopedia of Social Science (Blackboard)
- Munger, "I'll Stick With These," Liberty Fund (LINK)
<http://www.econlib.org/library/Columns/y2007/Mungerpins.html>
- Read, "I, Pencil" (LINK) <http://www.econlib.org/library/Essays/rdPnc1.html>
- Smith, The Wealth of Nations, Book I, Chapters 1-4 (LINK)
http://files.libertyfund.org/files/220/Smith_0141-02_EBk_v5.pdf

Thursday, September 1: The Problem of "Voluntary" Exchange--How Economists Think.

READINGS:

- Aristotle, Nicomachean Ethics, Book V, (LINK).
<http://classics.mit.edu/Aristotle/nicomachaen.5.v.html>
- Mankiw, Principles, Chapter 1
- Radford, "The Economics of a POW Camp," (Blackboard)

Week 1 Podcast Assignment: Euvoluntary Exchange

(http://www.econtalk.org/archives/2011/06/munger_on_excha.html)

Tuesday, September 6: Exchange in the Ancient and Medieval World.

(REMINDER: QUIZ ON PODCAST!!!!)

READINGS:

- Aquinas, Summa Theologica, Questions 75-78. (LINK) <http://www.sacred-texts.com/chr/aquinas/summa/index.htm>
- Backhouse, Chapters 1-2.

Wednesday, September 7: Outside Speaker #1, Dr. John Lewis, Duke University: "Morality of Exchange in Greece and Rome" 4:15 pm in Physics 130 (REACTION PAPER DUE Thursday September 15)

Thursday, September 8: Interdependence and the gains from trade

READINGS:

- Mankiw, Principles, Chapters 2-3

Week 2 Podcast Assignment: (NONE BECAUSE OF REACTION PAPER FOR LEWIS)

Tuesday, September 13: Supply and Demand: Price as a Directive Force

READINGS:

- Hayek "The Use of Knowledge in Society," AER 1945 (LINK)
<http://www.econlib.org/library/Essays/hykKnw1.html>
- Locke, "Venditio" (Blackboard),
- Mankiw, Principles, Chapter 4

Thursday, September 15: Elasticity: The Simple Tool Students Hate... and Why

Reaction paper 1 due!!

READINGS:

- Mankiw, Principles, Chapter 5

Week 3 Podcast Assignment: Division of Labor

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

Tuesday, September 20: Managing Price: Government Policies

(REMINDER: QUIZ ON PODCAST!!!!)

READINGS:

- Mankiw, Principles, Chapter 6
- Munger, "They Clapped," Liberty Fund
<http://www.econlib.org/library/Columns/y2007/Mungergouging.html>

Thursday, September 22: Consumers: Who Is Sovereign?

READINGS:

- Mankiw, Principles, Chapter 7
- Munger, "Everybody Loves Mikey," Liberty Fund
<http://www.econlib.org/library/Columns/y2005/Mungerinvisiblehand.html>

Week 4 Podcast Assignment: Price Controls and Restricting Transactions
(http://www.econtalk.org/archives/2009/10/munger_on_short.html)

Tuesday, September 27: Taxation and Rent-Seeking

(REMINDER: QUIZ ON PODCAST!!!!)

READINGS:

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

Wednesday, September 28: Outside Speaker #2, "" 4:15 pm in Physics 130 (REACTION PAPER DUE Thursday October 6)

Thursday, September 29: 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 5 Podcast Assignment: No Podcast Assignment Because of Outside Speaker

Tuesday, October 4: Externalities

(REMINDER: QUIZ ON PODCAST!!!!)

READINGS:

- Mankiw, Principles, Chapter 10
- Munger, "Orange Blossom Special," Liberty Fund,
<http://www.econlib.org/library/Columns/y2008/Mungerbees.html>

Thursday, October 6: Public Goods and Common Pool Resources

Reaction Paper 2 due!

READINGS:

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

Week 6 Podcast Assignment: 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>)

Tuesday, October 11: NO CLASS -- FALL BREAK!

Wednesday, October 12: Outside Speaker #3, Bill Gradison: "Financial Regulation" 4:15 pm in Physics 130 (REACTION PAPER DUE Thursday October 20)

Thursday, October 13: Taxes

(REMINDER: QUIZ ON PODCAST!!!!)

READINGS:

- Mankiw, Principles, Chapter 12

Week 7 Podcast Assignment: NO PODCAST ASSIGNMENT THIS WEEK, BECAUSE OF OUTSIDE SPEAKER

Tuesday, October 18: Costs of Production and Competitive Firms

READINGS:

- Mankiw, Principles, Chapters 13-14

Thursday, October 20: Monopoly, Monopolistic Competition, and Oligopoly

Reaction Paper 3 due!

READINGS:

- Mankiw, Principles, Chapters 15-17

Week 8 Podcast Assignment: Intellectual property: Should ideas be monopolies?

http://www.econtalk.org/archives/2009/05/boldrin_on_inte.html

Tuesday, October 25: Review for Midterm

(REMINDER: QUIZ ON PODCAST!!!!)

Thursday, October 27: Midterm Examination

Week 9 Podcast Assignment: None! Take a break after the midterm

Tuesday, November 1:

READINGS: The History of Capitalism and Trade

- Backhouse, Chapter 2
- Bernstein, Chapters 2-3

Wednesday, November 2: Outside Speaker, . Timur Kuran, Duke University: "The Economic Institutions of Islam" 4:15 pm in Physics 130 (REACTION PAPER DUE Thursday November 10)

Thursday, November 3:

READINGS: The Beginnings of the Modern Trade System

- Backhouse, Chapter 3
- Bernstein, Chapters 4-7

Week 10 Podcast Assignment: No podcast because of outside speaker

Tuesday, November 8: The Origins of the Economics Profession

READINGS:

- Backhouse, Chapters 5-7

Thursday, November 10: The Triumph and Tragedy of a World Economy
 READINGS:

- Bernstein, Chapters 8-11

Week 11 Podcast Assignment: Globalization and Development Problems
http://www.econtalk.org/archives/2011/04/rodrik_on_globa.html

Tuesday, November 15: Earnings, Discrimination, and Inequality
 (REMINDER: QUIZ ON PODCAST!!!!)

READINGS:

- Mankiw, Principles, Chapters 18-20

Thursday, November 17: Growth and Finance
 READINGS:

- Mankiw, Principles, Chapters 25-27

Week 12 Podcast Assignment: The Pleasures and Sorrows of Work
http://www.econtalk.org/archives/2010/09/de_botton_on_th.html

Tuesday, November 22: Extra Podcast Assignment, (week 13) No Formal Class Meeting
 Black Swans and Financial Mistakes, Nassim Taleb
http://www.econtalk.org/archives/2010/05/taleb_on_black_1.html

Thursday, November 24: No class--Thanksgiving Break

Tuesday, November 29: Money

(REMINDER: QUIZ ON TWO PODCASTS!!!! BOTH THE WEEK 12 and WEEK 13 ASSIGNMENTS)

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

*Wednesday November 30: . Outside Speaker #5, Dr. Kevin Grier, University of Oklahoma:
 "Monetary Institutions and the Macroeconomy" 4:15 pm in Physics 130. Reaction Paper Due
 Thursday December 8.*

Thursday, December 1: The Open Economy Model

READINGS:

- Mankiw, Principles, Chapters 31-32

Week 14 Podcast Assignment: (NONE, BECAUSE OF OUTSIDE SPEAKER)

Tuesday, December 6: Macroeconomics, Growth, and Instability

READINGS:

- Backhouse, Chapter 10
- Bernstein, Chapters 13
- Mankiw, Principles, Chapters 33-35

Thursday, December 8: *Parting is Such Sweet Sorrow--Review for Final Reaction Paper 5 due*

Course Schedule At A Glance:

I. Midterm and Final Dates

Midterm: Thursday October 27, Normal Class Time and Room

Final: Wednesday December 14, 2 pm – 5 pm, Nasher 105

II. Outside Speaker Schedule and Reaction Paper Due Dates

Wednesday, September 7: Outside Speaker #1, Dr. John Lewis, Duke University: “Morality of Exchange in Greece and Rome” 4:15 pm in Physics 130 (*REACTION PAPER DUE Thursday September 15*)

Wednesday, September 28: Outside Speaker #2, “” 4:15 pm in Physics 130 (*REACTION PAPER DUE Thursday October 6*)

Wednesday, October 12: Outside Speaker #3, Bill Gradison: “Financial Regulation” 4:15 pm in Physics 130 (*REACTION PAPER DUE Thursday October 20*)

Wednesday, November 2: Outside Speaker #4, . Timur Kuran, Duke University: “The Economic Institutions of Islam” 4:15 pm in Physics 130 (*REACTION PAPER DUE Thursday November 10*)

Wednesday November 30: . Outside Speaker #5, Dr. Kevin Grier, University of Oklahoma: “Monetary Institutions and the Macroeconomy” 4:15 pm in Physics 130. *REACTION PAPER DUE Thursday December 8.*

III. Podcast and Quiz Schedule

Week 1 Podcast Assignment: Euvoluntary Exchange
(http://www.econtalk.org/archives/2011/06/munger_on_excha.html)

QUIZ: Tuesday September 6

Week 2 Podcast Assignment: (NONE)
QUIZ: None

Week 3 Podcast Assignment: Division of Labor
(http://www.econtalk.org/archives/2007/04/mike_munger_on.html)

QUIZ: Tuesday September 20

Week 4 Podcast Assignment: Price Controls and Restricting Transactions
(http://www.econtalk.org/archives/2009/10/munger_on_short.html)

QUIZ: Tuesday September 27

Week 5 Podcast Assignment: (NONE)

QUIZ: None

Week 6 Podcast Assignment: 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: Thursday October 13

Week 7 Podcast Assignment: (NONE)

QUIZ: None

Week 8 Podcast Assignment: Intellectual property: Should ideas be monopolies?

http://www.econtalk.org/archives/2009/05/boldrin_on_inte.html

QUIZ: Tuesday October 25

Week 9 Podcast Assignment: (NONE)

QUIZ: None

Week 10 Podcast Assignment: (NONE)

QUIZ: None

Week 11 Podcast Assignment: Globalization and Development Problems

http://www.econtalk.org/archives/2011/04/rodrik_on_globa.html

QUIZ: Tuesday, November 15

Weeks 12 and 13: Double Podcast Assignment!

- The Pleasures and Sorrows of Work

http://www.econtalk.org/archives/2010/09/de_botton_on_th.html

- Black Swans and Financial Mistakes, Nassim Taleb

http://www.econtalk.org/archives/2010/05/taleb_on_black_1.html

QUIZ: Tuesday, November 29, on BOTH podcasts, counts double.

Week 14 Podcast Assignment: (NONE)

QUIZ: None

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