Introduction to Political Economy
Prof. Michael Munger

Econ 119 / Poli 145  Fall 2014

M-W 10:05-11:20 a.m.  Class: White Lecture Hall
Campus Office:  Gross Building 217, in Political Science  munger@duke.edu

Instructor cell phone number given in class (text me in emergencies only)
Facebook Group:  https://www.facebook.com/groups/274588809393312/ (Duke Intro to Pol Econ Fall 2014)
Instructor Web Site:  http://www.michaelmunger.com
Office Hours:
• Immediately after class, in Trinity Café
• Thursday 4:30-6:00 pm, in Trinity Café

Teaching Assistants:
Noa Cnaan-On  email: on.ps145.14@gmail.com
Elizabeth Jenke  email: jenke.ps145.14@gmail.com

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 intellectual history of political economy, the logic of microeconomics, and the definitions used in macroeconomics.  Consequently, it counts as a stand-alone Social Science credit, but it does not count as part of an Economics major.  If you pretty sure you want to be an Economics major, this class is a waste of your time.  Get the math prereq’s out of the way and then take Econ 101 instead.
• It introduces the notion of a political economy, emphasizing the moral and ethical problems that markets solve, and fail to solve.  Consequently it carries an Ethical Inquiry (EI) course credit.  It is an excellent introduction to the science of politics, and a good start for a Political Science major.
• 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:  As a member of the Duke community, you pledge 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 about pursuing plagiarism cases with every ounce of energy I possess.
You will fail the course. You will be kicked out of school. With search engines, it’s 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 8% each (total of 24%)
- Monday quizzes on “virtual sections” (total of 16%)
- Stock market simulation (10%)
- Midterm (25%)
- Final (25%)

**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 Assistants, FIRST () top half of alphabet) and SECOND (), second half of alphabet) 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. In other words, react to (a), using (b)

**Quizzes:** 16% of your final grade will be made up of your average on the quizzes given every Monday. The quiz will be posted by 9:30 am, and will be “due” by 11:30 am. You must take the quiz in this time slot, and failure to do so counts as a zero grade for that week. You will automatically drop your two lowest grades. (Note: both the podcasts and the quizzes are on-line, so there is no reason you can’t do the assignment, even if you are out of town or can’t come to class!) 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.

**Stock Market Simulation:** 10% of your final grade will be calculated with respect to the performance of a randomly selected portfolio of stocks from the NYSE (10 stocks, $100,000 each, no trading after initial selection). If you do better than the random portfolio, you get full credit, 100%. If you do worse, you get a grade calculated as a percentage of that performance. SPECIAL BONUS: The two worst performing portfolios each will get a special “I Sucked!” certificate, suitable for framing. (It’s not easy to lose big, any more than it is easy to win big!)

We will be using this trading simulator--SmartStocks [http://www.smartstocks.com/game-demo](http://www.smartstocks.com/game-demo). The group name is

IntPE Fall 2014 Munger

I will give you the password on the first day of class. You will need to set up an account on the system, creating your own username and password. For your user name and your name in the system BOTH, please use this convention:

[Last2Initials][First2Initials][BirthMonth][YearofExpGraduation]

So sophomore John Smith born in September would be SMJO917.
You will be given $1 million to trade and create your own portfolio of stocks. You will be free to trade, rearrange, and sell stocks as often as you want. Or, if you think things are going to hell in a handbasket, you can lay out and hold cash, in whatever combination appeals to you. Discounted subscriptions to the Wall Street Journal are available here
http://wsj.com/studentoffer
1 and 2 year offers at reduced rates are available here
http://wsj.com/impress

Midterm: **The midterm will be given in class, on Monday, October 27.** The format will be a combination of 20 multiple choice questions and 10 short answer questions. Each multiple choice question will count four points, and each short answer will count two points, for a total of 100. **The midterm counts 25% of the overall grade.** If you cannot take the midterm on this date, tell me before class on Monday, 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 by the Office of the Registrar. **For this class, this means that the final will be held on Monday, December 9, 2:00 PM - 5:00 PM.** The make-up exam if there is a conflict will be on **Wednesday, December 11 at 5 pm.** Contact the instructor for more information about the make-up exam, if you can’t make the normally scheduled exam. 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 25% 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

<table>
<thead>
<tr>
<th>Author's Name</th>
<th>Title</th>
<th>Edition</th>
<th>ISBN #</th>
<th>Publisher</th>
</tr>
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<tbody>
<tr>
<td>Burton Folsom</td>
<td>Myth of the Robber Barons</td>
<td>6th</td>
<td>978-0963020314</td>
<td>YOUNG AMERICA’S</td>
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<tr>
<td>Greg Mankiw</td>
<td>The Essentials of Economics</td>
<td>7th</td>
<td>978-0538453080</td>
<td>CENGAGE</td>
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<tr>
<td>Peter Leeson</td>
<td>The Invisible Hook</td>
<td>1st</td>
<td>978-0691150093</td>
<td>PRINCETON UNIV</td>
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Virtual “Sections”: 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 or video URL; outside speakers will be recorded so that their speeches can be downloaded as mp3s also. As noted above, each Monday there will be a quiz on the virtual section for the previous week, unless there was an outside speaker and the section period was just used to work on your papers.
Schedule of Meetings and Assignments:

(Skip Down to “Course Schedule at a Glance”)

SECTION I: INTRODUCTION

Monday, August 25: Class introduction and overview. Readings, grades, sections, and expectations.

**READINGS:**
- Mankiw, G. Textbook, Essentials, Chapters 1-2
- Bastiat, Frederic, Essays, What is Seen and Not Seen, sections 1-5, paragraphs 1-94. (LINK: http://www.econlib.org/library/Bastiat/basEss1.html)
- Video 1: Curtis Jackson/50 Cent (LINK: http://on.wsj.com/MqKIcU)
- Video 2: Pickles (LINK: http://www.cbsnews.com/video/watch/?id=50143475n)
- Stocks, the Stock Market, & the Basics of Trading (LINK: http://www.investopedia.com/university/stocks/)

SECTION II: KEY CONCEPTS

Wednesday, August 27: Exchange

**READINGS:**
- Mankiw, G. Textbook, Essentials, Chapter 3

Week 1 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 1: Property

**READINGS:**

Wednesday, September 3: Production and Division of Labor

**READINGS:**
- Smith, A. The Wealth of Nations, Book I, Chapters 1-4 (LINK: http://www.econlib.org/library/Smith/smWN1.html#B.1, Ch.1, Of the Division of Labor)
Munger, Michael. "I'll Stick with These…”

**Week 2 Virtual Section:** “Division of Labor and Production,”

**Monday, September 8:** Money and Banks

READINGS:
- Mankiw Textbook, Chapters 21-22
- The Importance of the Dollar as World Currency (Podcast with Barry Eichengreen) (http://www.econtalk.org/archives/2011/06/eichengreen_on.html)
- The History of Bitcoin http://historyofbitcoin.org/
- Surowiecki, James, "A Brief History of Money," http://spectrum.ieee.org/at-work/innovation/a-brief-history-of-money

**Wednesday, September 10:** Prices, Just Prices, and Opportunity Cost

READINGS:
- Locke, John. “Venditio.” (Sakai)

**Week 3 Virtual Section:** “BitCoin, with Gavin Andresen" (TWO Podcasts, both required) (http://www.econtalk.org/archives/2011/04/andresen_on_bit.html and also http://www.econlib.org/archives/2014/05/gavin_andresen.html)

**Monday, September 15:** Outside Speaker 1--Dr. Michelle Vachris, Christopher Newport University, http://cnu.edu/economics/faculty/vachris.asp: "Smith and Austen: Pride, Prejudice, and the Impartial Spectator"
NOTE: Reaction Papers will be due on Wednesday, September 25. Late papers will not be accepted.

**Wednesday, September 17:** Entrepreneurship I

READINGS:
- Couyoumdjian, J.P., and M.C. Munger, “The Entrepreneurial Virtues.” (Sakai)
- Folsom, B.W., textbook, Chapters 1-2.

**Week 4 Virtual Section** (no assignment, work on evaluation paper on Vacris)

**Monday, September 22:** Entrepreneurship II

READINGS:
• Folsom, B.W., textbook, Chapters 4-5.

Wednesday, September 24: Broken Windows, and the Diamond / Water Paradox
NOTE: First reaction paper due
READINGS:
• Bastiat, F. What is Seen and Not Seen, Paragraphs 1.1 – 1.31 (LINK: http://www.econlib.org/library/Bastiat/basEss1.html)
• Mankiw Textbook, Chapter 3
• Video 1: Mike Hewitt’s “Diamond and Water Paradox” (LINK: http://youtube.be/It0pKKDfFIo)
• Video 2: Michael Munger, “Why Do We Exchange Things?” (LINK: http://www.youtube.com/watch?v=W-qGYlRtCcM&feature=player_embedded)

Week 5 Virtual Section Software Eats the World? Two Podcasts, Both Required
Marc Andreeson http://www.econtalk.org/archives/2014/05/marc_andreessen.html

Monday, September 29: The Problem of Truly Voluntary Exchange and the Origins of Markets
READINGS:
• Aristotle, Nichomachean Ethics, Books III and V, (LINK: http://classics.mit.edu/Aristotle/nicomachaen.mb.txt)
• Video 1: Michael Sandel—Justice and Virtue in Aristotle’s Conception http://www.justiceharvard.org/2011/02/episode-10/#watch

SECTION III: THE FRAMEWORK OF ECONOMICS

Wednesday, October 1: Supply and Demand--The Market System as a Source of Information
READINGS:
• Mankiw Textbook Chapter 4
• Munger, MC “Everything You Know About Recycling is Wrong. Cato Unbound” (LINK: http://www.cato-unbound.org/2013/06/03/michael-c-munger/recycling-can-it-be-wrong-when-it-feels-so-right)
• Video 1: Michael Munger, “What Do Prices Know That You Don’t?” (LINK: http://youtu.be/WPy-QXoFQs)
**Week 6 Virtual Section: Shortages and Prices**
Dr. Michael Munger, Duke University: “Shortages, Prices, and Competition.”

*Monday, October 6:* Elasticity: A Family of Measures of Responsiveness
**READINGS:**
- Mankiw, Essentials, Chapter 5

*Wednesday, October 8:* Managing Price: Government Policies
**READINGS:**
- Mankiw, Essentials, Chapters 6-7
- Matt Zwolinski, “Is Price Gouging Immoral?”
  (Link: http://www.youtube.com/watch?feature=player_embedded&v=h9QEkw6_O6w)
- Munger, “They Clapped,” Liberty Fund

**Week 7 Virtual Section:** Price Controls and Euvoluntary Exchange
(http://www.econtalk.org/archives/2011/06/munger_on_excha.html)

**Fall Break:** Monday, October 13 **NO CLASS -- FALL BREAK!**

*Wednesday, October 15:* Outside Speaker 2-- Kesav Mohan, CEO, How T Be Websmart, LLC--
"Entrepreneurship and Software: Hack Your Life"
**NOTE:** Reaction Papers will be due on Monday, October 27. Late papers will not be accepted.

**Week 8 Virtual Section:** No section this week, work on your Mohan reaction papers

*Monday, October 20:* Taxation and Rent-Seeking (**Guest Lecture:** Guadalupe Rojo)
**NOTE:** Second reaction paper due
**READINGS:**
- Mankiw Textbook, Chapter 8
- Video 1: Giving Away Money Costs More Than You Think (LINK: http://youtu.be/XwBP_pqkGJA)

*Wednesday, October 22:* International Trade
**READINGS:**
- Mankiw Textbook, Chapter 9
- Munger, MC “Market Makers or Parasites?” Liberty Fund
- Video 1: Global Economics, Global Exchange
  http://www.youtube.com/watch?v=xRJZWfqWcs0
Week 9 Virtual Section: Public rent-seeking, Private rent-seeking, and buses in Santiago de Chile

Monday, October 27: Review for Midterm (VERY IMPORTANT!)

Wednesday, October 29: MIDTERM: If you cannot make this date, let me know immediately!

Week 10 Virtual Section: No section this week, take a break for midterm

Monday, November 3: Externalities, Public Goods and Common Pool Resources
READINGS:
- Mankiw Textbook Chapters 10-11
- Hardin, G. “The Tragedy of the Commons,” (Sakai)

Wednesday, November 5: Costs of Production
READINGS:
- Mankiw Textbook, Chapter 12

Week 11 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, November 10: Competitive Firms
READINGS:
- Mankiw Textbook, Chapter 13

Wednesday, November 12: Market Failure and Government Failure
READINGS:
- Howard, Philip N. “Let’s Nationalize Facebook!” Slate (LINK: http://www.slate.com/articles/technology/future_tense/2012/08/facebook_should_be_nationalized_to_protect_user_rights_.html)


Monday, November 17: Pirates! And Gangs...
READINGS:
• **Skarbek, D.** 2011. “Governance and Prison Gangs.” American Political Science Review. (Sakai)
• **Leeson, P.** The Invisible Hook, Chapters 1-4.

**Week 13 Virtual Section:** Peter Leeson and the Economics of Piracy

*Wednesday, November 19:* More Pirates....
**READINGS:**
• **Leeson, P.** The Invisible Hook, Chapters 5-8.


**NOTE:** Reaction Papers will be due on Wednesday, December 3. Late papers will not be accepted.

**NO CLASS WEDNESDAY, NOVEMBER 26:** Thanksgiving Break

**Week 14 Virtual Section:** G. A. Cohen, “A Critique of Capitalism.”

*Monday, December 1:* **Monopoly**
**READINGS:**
• Mankiw, Essentials, Chapter 14

*Wednesday, December 3:* Fiscal Policy and Stabilization
**Reaction Paper #3 Due, Beginning of Class**
**READINGS:**
• Mankiw Textbook, Chapters 23-24

**FINAL EXAM (SCHEDULED BY REGISTRAR)**
*Wednesday, December 12: 2:00 to 5:00 pm*

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**Course Schedule At A Glance:**

I. **Midterm and Final Dates**
Midterm: Monday October 29, Normal Class Time and Room
Final: December 12, 2-5 pm (Make-up on December 10, 2-5 pm)

II. **Outside Speaker Schedule and Reaction Paper Due Dates**
III. Podcast and Quiz Schedule

Note: Each virtual section is “scheduled” on a Friday. But in fact you can listen to it whenever you want; it’s just that sections were traditionally on Fridays, and so we use that to structure the schedule. The date is given so that you know that the quiz will be sent out on the following Monday morning. You must have listened to it the podcast or watched the video by then!

Virtual Sections:

Week 1 Virtual Section (Friday, August 29): “The Travels of a T-Shirt in the Global Economy,” Dr. Pietra Rivoli, (Link: http://www.youtube.com/watch?v=9yYQqKxz8Tg)

Week 2 Virtual Section (Friday, September 5): “Division of Labor and Production,” (http://www.econtalk.org/archives/2007/04/mike_munger_on.html)

Week 3 Virtual Section (Friday, September 12): “BitCoin, with Gavin Andresen” (TWO Podcasts, both required) (http://www.econtalk.org/archives/2011/04/andresen_on_bit.html and also http://www.econtalk.org/archives/2014/05/gavin_andresen.html)

Week 4 Virtual Section (Friday, September 19): (no assignment, work on Vacris evaluation paper)


Week 7 Virtual Section (Friday, October 10): Price Controls and Euvoluntary Exchange (http://www.econtalk.org/archives/2011/06/munger_on_excha.html)

Week 8 Virtual Section (Friday, October 17): No section this week, work on your Mohan reaction papers

Week 9 Virtual Section (Friday, October 24): Public rent-seeking, Private rent-seeking, and buses in Santiago de Chile http://www.econtalk.org/archives/2010/08/munger_on_priv.html

Week 10 Virtual Section (Friday, October 31): No section this week, take a break after midterm


Week 13 Virtual Section (Friday, November 21): Peter Leeson and the Economics of Piracy
http://www.econtalk.org/archives/2009/05/leeson_on_pirat.html

Week 14 Virtual Section (Friday, November 28): G. A. Cohen, “A Critique of Capitalism.”
(LINK: http://thesocietypages.org/socimages/2011/12/26/a-critique-of-capitalism-by-g-a-cohen/)

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