Introduction to Political Economy

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Econ 119 / Poli 145  Fall 2015

M-W 11:45 a.m.—1:00 p.m.  Class: White Lecture Hall
Facebook Group: https://www.facebook.com/groups/952478138106282/
Instructor Web Sites: http://www.michaelmunger.com

Office Hours:
- Immediately before class (M and W 11:00-11:30 am), in Trinity Café

Teaching Assistants:
Anh Do  email: trang.anh.do@duke.edu
Libby Jenke  email: libby.jenke@duke.edu
Undes Wen  email: wenderse@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’re 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.  If you are considering law school, consulting, a Public Policy major, or a STEM major, it is an excellent choice, however.
- 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 political philosophy, politics, and economics for the student who wants to sample these disciplines without committing to several semesters of coursework.  The course counts toward, and leads well into, the material for the PPE Certificate (http://polisci.duke.edu/undergraduate/ppe-certificate)

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. 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 voluntary member of the Duke community, you consent and pledge to adhere to the Duke Community Standard (see [http://www.integrity.duke.edu/faq/faq1.html](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](http://library.duke.edu/research/plagiarism/index.html). A personal note: We have zero qualms about pursuing plagiarism cases with every ounce of energy we possess. You will fail the course. You will be kicked out of school. With search engines, it’s easy to detect cheating. Look, if you found it on Google, we can find it on Google. Don’t be an idiot. “F: Plagiarism” is forever.

**Grades:** Grades will be based on
- 3 1200 word (about 4 pages) “reaction” papers 5% each (total of 15%)
- Monday quizzes on “virtual sections” (total of 15%)
- Stock market simulation (10%)
- Midterm (30%)
- Final (30%)

**Reaction Papers:** Three outside speakers will present lectures. The lectures will be recorded for those who cannot attend the lecture. Each “reaction” paper is 5%, for a total of 15%. You will be working closely with the Teaching Assistants, with your assigned TA being as follows (first letters, last names):
- **DO:** Aa—Har
- **JENKE:** Has-Pat
- **WEN:** Pau-Zz

both for these papers and for office hours for questions. 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, to satisfy (c), react to (a), using (b)

**Quizzes:** 15% of your final grade will be made up of your average on the quizzes given every Monday. The quiz will be posted by 8:30 am, and will be “due” by noon. You must take the quiz in this time slot, and failure to do so counts as a zero grade for that week. We will automatically drop your two lowest grades, but there are no “excused” absences so use your two drops wisely. (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 five 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 based on your performance in choosing a stock portfolio, which will be compared 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 no easier to lose big than to win big!)

We will be using this trading simulator--SmartStocks (http://app.smartstocks.com/users/sign_in). The group name is

PE Intro Duke 2015

We 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 Wednesday, October 28. The format will be a combination of 30 multiple choice questions, each of which will count 3 points, and an essay question on Bitcoin, which will count 10 points. The midterm counts 30% of the overall grade. If you cannot take the midterm on this date, tell us before class on Wednesday, September 16. 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 Tuesday, December 8, 2:00 PM - 5:00 PM. The make-up exam if there is a conflict will be on Thursday, December 10 at 9 am. 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 30% 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

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<thead>
<tr>
<th>Author's Name</th>
<th>Title</th>
<th>Ed.</th>
<th>ISBN #</th>
<th>Publisher</th>
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<tr>
<td>Burton Folsom</td>
<td>Myth of Robber Barons</td>
<td>6th</td>
<td>9780963020314</td>
<td>YOUNG AMERICA'S</td>
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<td>M.C./K.M. Munger</td>
<td>Choosing in Groups</td>
<td>1st</td>
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Virtual “Sections”: Classes will normally meet twice—for lectures on Monday and Wednesday of each week. In addition, each week there will usually 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, most Mondays 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 Outline of Outside Speakers and Podcasts*

**SECTION I: INTRODUCTION**

* Monday, August 24: Class introduction and overview. Readings, grades, sections, and expectations. READINGS:
  * **Bastiat, Frederic**, *Essays, What is Seen and Not Seen*  
    Sections 1-2, paragraphs 1.1-1.36  
    Section 6, paragraphs 1.95-1.125.  
    (LINK: [http://www.econlib.org/library/Bastiat/basEss1.html](http://www.econlib.org/library/Bastiat/basEss1.html))
  * **Bastiat, F.** *Economic Sophisms,*  
    Chapter 7, “A Candelmakers’ Petition”  
    Chapter 8, “Differential Tariffs”  
  * **Video:** Pickles (LINK: [http://www.cbsnews.com/video/watch/?id=50143475n](http://www.cbsnews.com/video/watch/?id=50143475n))
  * **Stocks, the Stock Market, & the Basics of Trading** (LINK: [http://www.investopedia.com/university/stocks/](http://www.investopedia.com/university/stocks/))

**SECTION II: KEY CONCEPTS IN POLITICAL ECONOMY**

* Wednesday, August 26: Exchange, Specialization, and Institutions  
  READINGS:
  * **Agriculture and the Origins of Civilization** (LINK: [http://history-world.org/neolithic.htm](http://history-world.org/neolithic.htm))
  * **Industrial Revolution** (LINK: [http://history-world.org/Industrial%20Intro.htm](http://history-world.org/Industrial%20Intro.htm))
  * **Video 1:** Michael Munger, “Why Do We Exchange Things?” (LINK: [http://www.youtube.com/watch?v=W-qGYlRtCcM&feature=player_embedded](http://www.youtube.com/watch?v=W-qGYlRtCcM&feature=player_embedded))

**Week 1 Virtual Section (Friday August 28):** “The Travels of a T-Shirt in the Global Economy,” Dr. Pietra Rivoli, (Link: [http://www.youtube.com/watch?v=9yYQqKxz8Tg](http://www.youtube.com/watch?v=9yYQqKxz8Tg))
Monday, August 31: Property

READINGS:


- **Hardin, Garrett.** 1969. “Tragedy of the Commons.” Science. (LINK: [http://www.sciencemag.org/content/162/3859/1243.full](http://www.sciencemag.org/content/162/3859/1243.full))

Wednesday, September 2: 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](http://www.econlib.org/library/Smith/smWN1.html#B.1), Ch.1, Of the Division of Labor)

- **Durkheim, Emile.** 1897. Division of Labor in Society (summary) (LINK: [http://durerkheim.uchicago.edu/Summaries/dl.html](http://durerkheim.uchicago.edu/Summaries/dl.html))

- **Munger, Michael.** 2015. “Division of Labor.” (Sakai Reading)


Monday, September 7: Entrepreneurship I

READINGS:

- **Couyoumdjian, J.P., and M.C. Munger,** “The Entrepreneurial Virtues.” (Sakai)

- **Maugham, Somerset,** “The Verger.” (LINK: [http://www.sinden.org/verger.html](http://www.sinden.org/verger.html))

- **Folsom, B.W., textbook,** Chapters 1-2.

Wednesday, September 9: Entrepreneurship II

READINGS:


• **Folsom, B.W., textbook**, Chapters 4-5.
• **Andreessen, Marc.** "Why Software is Eating the World," August 20, 2011, *Wall Street Journal* (Sakai)

**Week 3 Virtual Section (Friday, September 11): Software Eats the World?**  
MarcAndreessen [http://www.econtalk.org/archives/2014/05/marc_andreessen.html](http://www.econtalk.org/archives/2014/05/marc_andreessen.html)

**Monday, September 14:** Prices, Just Prices, and Opportunity Cost  
**READINGS:**
- **Locke, John.** “Venditio.” (Sakai)
- Matt Zwolinski, “Is Price Gouging Immoral?”  
  (Link: [http://www.youtube.com/watch?feature=player_embedded&v=h9QEkw6_O6w](http://www.youtube.com/watch?feature=player_embedded&v=h9QEkw6_O6w))

**Wednesday, September 16:** Money and Banks (Prof. Salsman)  
**READINGS:**
- **The Importance of the Dollar as World Currency** (Podcast with Barry Eichengreen) ([http://www.econtalk.org/archives/2011/06/eichengreen_on.html](http://www.econtalk.org/archives/2011/06/eichengreen_on.html))

**Week 4 Virtual Section (Friday, September 18): “Bitcoin,”**  
([http://www.econtalk.org/archives/2015/06/nathaniel_poppe.html](http://www.econtalk.org/archives/2015/06/nathaniel_poppe.html))

**Monday, September 21:** Bitcoin, Cryptocurrency, and the Future of Money  
**READINGS:**
- Vigna, P., and M.J. Casey, *The Age of Cryptocurrency* (Sakai Reading)
- GavinAndreesen on Bitcoin  
  (Podcast 2: [http://www.econtalk.org/archives/2014/05/gavin_andresen.html](http://www.econtalk.org/archives/2014/05/gavin_andresen.html))
Wednesday, September 23:  **Outside Speaker 1—Dr. Virgil Storr, Mercatus/George Mason**

**NOTE:** Reaction Papers will be due on Monday, October 5. Late papers will not be accepted.

**READINGS:**

**Week 5 Virtual Section (Friday, September 25):** no assignment, work on evaluation paper on Storr

**Monday, September 28:** The Problem of *Truly Voluntary* Exchange and the Origins of Markets

**READINGS:**

**SECTION III: THE FRAMEWORK OF CHOICE IN POLITICS**

**Wednesday, September 30:** The Paradigm of Public Choice

**READINGS:**
- **Munger, MC, and KM Munger**, *Choosing in Groups*, Chapters 1-2

**Week 6 Virtual Section (Friday October 2): Choosing in Groups**

Dr. Michael Munger, Duke University: “Shortages, Prices, and Competition.”
([http://www.econtalk.org/archives/2015/02/michael_munger_1.html](http://www.econtalk.org/archives/2015/02/michael_munger_1.html))

**Monday, October 5:** Basics of Political Choice I--Preferences

**READINGS:**
- **Munger-Munger**, *Choosing in Groups*, Chapter 3
- First Reaction Paper Due! October 5

**Wednesday, October 7:** Basics of Political Choice II--Politics

**READINGS:**
- **Munger-Munger**, *Choosing in Groups*, Chapter 4

**Week 7 Virtual Section (Friday October 9):** Skip a week for fall break!

- Fall Break: Monday, October 12  **NO CLASS -- FALL BREAK!**

**Wednesday, October 14:** Basics of Political Choice III—Spatial Competition

**READINGS:**
- **Munger-Munger**, *Choosing in Groups*, Chapter 5
Week 8 Virtual Section (Friday October 16): Magna Carta: Are Agreements Binding? (http://www.econtalk.org/archives/2015/05/nicholas_vincen.html)

*Monday, October 19: A Problem with Political Choice--Impossibility*

**READINGS:**
- Munger-Munger, *Choosing in Groups*, Chapter 7

*Wednesday, October 21: Outside Speaker 2—John Baden, FREE*

**NOTE:** Reaction Papers will be due on Monday, November 2. Late papers will not be accepted.


*Monday, October 26: Review for Midterm (VERY IMPORTANT!) (Prof. Salsman)*

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*Wednesday, October 28: MIDTERM: If you cannot make this date, let me know immediately!*

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Week 10 Virtual Section (Friday, October 30): No section this week, work on Baden reaction papers!

*Monday, November 2: Lectures by TAs (Subject TBA)*

**READINGS:**
- TBA

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Second Reaction Paper Due! November 2

*Wednesday, November 4: Market Failures I--Externalities, Public Goods and Common Pool Resources*

**READINGS:**
- Hardin, G. “The Tragedy of the Commons,” (Sakai)
- “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)

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*Monday, November 9: Outside Speaker 3—Lynne Keisling, Northwestern University, Regulation and the Future of Energy Markets*
NOTE: Reaction Papers will be due on Wednesday, November 18. Late papers will not be accepted.

Wednesday, November 11: Market Failure II—Asymmetric Information, Natural Monopolies, and Rent-Seeking

READINGS:
- **Marotta, DJ.** “What is Rent-Seeking?” *Forbes*. (LINK: http://www.forbes.com/sites/davidmarotta/2013/02/24/what-is-rent-seeking-behavior/)
- **Video 1**: Giving Away Money Costs More Than You Think (LINK: http://youtu.be/XwBP_pqkGJA)

Week 12 Virtual Section (Friday, November 13): The Sharing Economy—AirBnB and Asymmetric Information (http://www.econtalk.org/archives/2014/09/nathan_blecharc.html)

Monday, November 16: Government Failure I—Substantive Failure (Prof. Salsman)

READINGS:
- **Schmidtz, D., and J. Brennan.** 2010. *A Brief History of Liberty, Chapters 1-2*. (Sakai)

Wednesday, November 18: Government Failure II—Procedural Failure (Prof. Salsman)

READINGS:

■■■ Third Reaction Paper Due! November 18 ■■■

Weeks 13-14 Virtual Sections (Friday, November 20 and Friday November 27): Three Podcasts on Informal Norms and The Code!!

  http://www.econtalk.org/archives/2013/07/munger_on_sport.html
- David Skarbek, Kings College. Social Order of the Underworld
  http://www.econtalk.org/archives/2015/03/david_skarbek_o.html
- Peter Leeson and the Economics of Piracy
  http://www.econtalk.org/archives/2009/05/leeson_on_pirat.html

No Class Monday or Wednesday November 23, 25: Thanksgiving Break! Note that there is a double-length quiz on Monday, November 30 to make up for the extra class.
Monday, November 30: Pirates! And Gangs...
READINGS:

Wednesday, December 2: More Pirates....And Review for Final
READINGS:
- Leeson, P. The Invisible Hook, Chapters 5-8.

Third Reaction Paper Due!

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FINAL EXAM (SCHEDULED BY REGISTRAR)
Tuesday, December 9: 2:00 to 5:00 pm
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Course Schedule At A Glance:

I. Midterm and Final Dates
   - Midterm: Wednesday October 28, Normal Class Time and Room
   - Final: December 8, 2-5 pm (Make-up on December 10, 9 am -12 pm)

II. Outside Speaker Schedule and Reaction Paper Due Dates
   1. Wednesday, September 23: Outside Speaker 1—Dr. Virgil Storr, Mercatus/George Mason NOTE: Reaction Papers will be due on Monday, October 5.
   2. Wednesday, October 21: Outside Speaker 2—John Baden, FREE NOTE: Reaction Papers will be due on Monday, November 2.
   3. Monday, November 9: Outside Speaker 3—Lynne Keisling, Northwestern Univ. NOTE: Reaction Papers will be due on Wednesday, November 18.
III. Virtual Section 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 the podcast or watched the video by then!

Week 1 Virtual Section (Friday, August 28): “The Travels of a T-Shirt in the Global Economy,” Dr. Pietra Rivoli, [http://www.youtube.com/watch?v=9yYQqKxz8Tg](http://www.youtube.com/watch?v=9yYQqKxz8Tg)


Week 3 Virtual Section (Friday, September 11): Software Eats the World? Marc Andreessen [http://www.econtalk.org/archives/2014/05/marc_andreessen.html](http://www.econtalk.org/archives/2014/05/marc_andreessen.html)

Week 4 Virtual Section (Friday, September 18): “Bitcoin,” [http://www.econtalk.org/archives/2015/06/nathaniel_poppe.html](http://www.econtalk.org/archives/2015/06/nathaniel_poppe.html)

Week 5 Virtual Section (Friday, September 25): (no assignment, work on evaluation paper on Storr)

Week 6 Virtual Section (Friday, October 2): Choosing in Groups. Dr. Michael Munger, Duke University [http://www.econtalk.org/archives/2015/02/michael_munger_1.html](http://www.econtalk.org/archives/2015/02/michael_munger_1.html)

Week 7 Virtual Section (Friday, October 9): Skip a week for fall break!

Week 8 Virtual Section (Friday, October 16): Magna Carta: Are Agreements Binding? [http://www.econtalk.org/archives/2015/05/nicholas_vincen.html](http://www.econtalk.org/archives/2015/05/nicholas_vincen.html)


Week 10 Virtual Section (Friday, October 30): No section this week, work on Baden reaction papers!


Weeks 13-14 Virtual Sections (Friday, November 20 and Friday, November 27):

Three Podcasts on Informal Norms and The Code!!

- David Skarbek, Kings College. Social Order of the Underworld [http://www.econtalk.org/archives/2015/03/david_skarbek_o.html](http://www.econtalk.org/archives/2015/03/david_skarbek_o.html)

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(Back to detailed Schedule and Assignments)