

84-110 : Foundations of Political Economy

Instructor: Daniel Hansen

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Class time: 12:20 to 1:40pm, Tuesdays and Thursdays

Class Location: Baker Hall A51

Office hours: Via Zoom, on Wednesdays from 10am to noon. Please alert me in advance if you will be “dropping in”; We will also be using new Office Hours technology called “ProMinute Office Hours”.

Course Description and objectives:

Political Economics studies the interplay between economics and politics. Politicians, for example, may deviate from welfare-maximizing policies due to political pressures. Conversely, the economic and political consequences of policy decisions can shape the choices of future governments. The course will provide a broad, accessible introduction to the key issues in micro and macroeconomics, international economics, and financial markets, emphasizing those most valuable to understanding the interaction of politics and economics. The course will examine core economic concepts to illuminate how economies work, what constraints governments face, and what the welfare implications are of policy choices. From there, the course will expand to illustrate the political and ideological influences on monetary policy and central banking, the political factors shaping economic crises, the international factors influencing the implementation of domestic policies, and political influences on economic integration.

A main objective of the course is to develop a basic competency in understanding major economic concepts and being able to interpret welfare implications of differing policy actions. In other words, (a) understand what key phrases and concepts in economics mean, and (b) be able to identify important welfare implications related to these concepts. For instance, a student should understand how central banks work and how interest rate policy has an impact on the economy. In other examples, students should understand the basics of taxation or public goods provision and understand how to frame these arguments in relation to purported policy goals. This extends to other salient examples such as the role of international trade – is that a good thing or a bad thing (was NAFTA the worst trade deal ever negotiated)? In order to help facilitate your being *conversant* in these issues, the course also incorporates class presentations on newspaper articles and some in-class group discussions which encourage you to discuss some of these concepts with your peers.

Readings:

The course will use as a base textbook Mankiw’s “Essentials of Economics” textbook listed below, while augmenting particular subjects with selected chapters from other textbooks (for instance, to dive deeper into international trade and monetary economics (don’t worry, it’s a titillating and fun subject, worthy of deeper exploration). Note that I will be lecturing based on the 9th edition of Mankiw’s text, but you should feel free to acquire the 8th edition if you should desire. There are not substantial changes between these editions. Additionally, purchasing the current edition grants access to Cengage’s “MindTap” suite, although I will not be utilizing that as a feature of the class.

Mankiw, Gregory. 2018. *Essentials of Economics*. 9th or 8th edition.

I will provide select chapters from:

Krugman, Obstfeld & Melitz. *International Economics: Theory and Policy*.

Mishkin, Frederic. *The Economics of Money, Banking, and Financial Markets*

If you want a quick reference book on main economic concepts, I would recommend “The Instant Economist” by Timothy Taylor. It is extremely concise and easy to read for the non-expert. I will be uploading a few select chapters from this book. For a more thorough guide still written for non-specialists, consider: Lipschitz & Schadler (2019) – “Macroeconomics for Professionals: A Guide for Analysts and Those Who Need to Understand Them”

Other readings are from diverse sources and will be uploaded. I reserve the right to change the reading schedule or assigned readings as I see fit throughout the course. As a general rule, however, I do not make changes which will significantly increase your reading load.

Course Requirements & Grading

Grading Structure	
Attendance	5%
Media Article Presentation	5%
Group Academic Presentation	15%
Quizzes	10%
Group Activities	5%
Exam I	20%
Exam II	20%
Exam III	20%
	100%

The grading scale for this course will be as follows:

A = 90 to 100%

B = 80 to 89%

C = 70 to 79%

D = 60 to 69%

R = 59% and below

General Overview

Each class will largely be lecture oriented but will have a common format. Newspaper presentations will go first – a group will present on their article, and most days will have an in-class quiz to help review important concepts. From there, we will have a traditional lecture and occasional class discussion as relevant.

Exams

The course is heavily determined by exams. There are three exams, each worth 20% of the grade. Each exam will only cover material since the previous exam – therefore, they are not “cumulative”, although some overlap in concerns occurs in different areas of the class. For instance, we discuss monetary policy in focused ways both early and later in the course. But in principle, I only seek to test on the emphasis of the material *since* the last exam. Exams will be multiple choice exams, and will be administered via Canvas. Students will have a window of 2 days from which they can select when they begin the exam.

Attendance & quizzes

Attendance is important for you to digest the material as I lecture on it, and I therefore include attendance points as part of your grade. This will be tracked by in-class quizzes I administer them using i-clicker software. This will utilize the i-clicker Reef (REEF Polling app) system which you can rent via app (this will involve a small charge to you, approximately \$15 USD), in which you can login to the course and answer quizzes by using your phones. In this way, I will not only record your quiz answers in real-time, but also track attendance. Most class sessions will include a quiz, and these will range from 2 to potentially 6 questions. However, I will at random not quiz on certain days (I will never announce when that may be). I will compensate everyone in the class for having a missed quiz or just a bad quiz day by granting 5 bonus quiz points by the end of the semester. I will also grant two excused absences.

Newspaper Presentations

I will randomly assign groups of about 3 people each to give a presentation on an economics related article in either the Wall Street Journal (my preferred source – excellent economics coverage), the New York Times, or the Washington Post. The framework should be to first identify what is important background information which helps situate the article you have chosen and devote a slide or two to this background. In other words, set the scene for the class. Then, give details on what the main points in the article are. You should **offer a discussion question** or two. You may choose the article or I can choose one for your group, but they should be fact-based reporting and **not editorials or opinion pieces**. You must notify me of your decision on whether you would prefer that I make the selection for you. This will help us connect important issues from the material to current events and to see how these concepts play out in the real world.

These will be graded on a 3 category scale: 100% = thorough, well-motivated, and clear presentation. 90% = Did a nice job, but failed to give meaningful background or were not clear in discussing the content of the article. The last grade rung is a 25% = attempted the presentation but was sloppy, unprofessional, or failed to convey that the group meaningfully prepared for the presentation.

Group Activity

On occasion, I will have a group activity in which you will team up with your classmates in order to respond to questions or prompts I give. These will be graded, but it will provide you the opportunity to discuss the questions in teams. This will be similar to the in-class quizzes I give, so one might consider them “soft quizzes” because of the collaborative nature in which you provide answers.

There will be one answer sheet per group, and the groups will differ from your newspaper article groups.

Group Academic Presentation

I will randomly assign students to groups and will assign each group a topic and a small collection of academic political economy articles pertaining to that topic. The group will then collectively read the articles and prepare a class presentation on them. In the presentation, the group should discuss the economic concepts underpinning the articles explicitly and connect it to readings we have done in the class. You will then thoroughly discuss the articles I have assigned you, walking the class through the authors' theory (mainly) and evidence presented. In many cases, the evidence will be statistical and may be difficult for you to understand. I will provide resources to help ease this interpretation, but rest assured I am not expecting mastery of their statistics. Nonetheless you should provide a basic discussion of their evidence. If they use visuals, take screenshots and show them in the presentation slides. You should offer your thoughts and interpretations, and note any weaknesses or oversights in their studies. Presentations should be approximately **15 to 18 minutes**, and there will be **time for Q&A** after each presentation. Non-presenting students are expected to participate, asking questions of the presenters.

With group-work there is a risk that free-riders abuse the system. To mitigate his concern, I will send confidential surveys so your group members can confidentially express dissatisfaction with group-member performance. This is to identify major sources of frustrations and not minor irritations. Each student of the group is also responsible for having read the assigned article(s), and so each student should prepare individual notes on the readings. You will submit these notes to me as evidence that you have done your share and contributed to the final work product.

Learning during the era of COVID-19

We are clearly in highly unusual times, and you should know that I understand and am very sympathetic to the challenges we all are facing. Please communicate with me if you are experiencing any difficulties and I am happy to work with you to develop a plan for you to succeed. Be proactive and conscientious regarding your personal approach to these difficulties. Develop a routine which maximizes your ability to learn and function in this new format. Talk with friends, consult with CMU resources, and be proactive in reaching out to me so I understand your personal circumstances. I am devoted to ensuring your ability to succeed.

I encourage **everyone** to take public health guidelines seriously, use all precautions and socially-distance as best as you can. I ask each of you to remember that neglecting these guidelines affects not just you, but others. Your fellow community members should not have to bear the consequences of your negligence. We suffer and succeed as a community, so let us all show how great our community really is.

Given the in-person plus remote format for the course, every class will require all students to log in to the Zoom link, whether in person or not. This will also enable us to use the break-out rooms feature for the course. I encourage everyone to turn on their video as it helps provide for the best class environment and social experience. Each class will be start with everyone's microphone muted. If a remote student wishes to ask a question, please use the raise hand feature on Zoom or briefly

message in the chat window. I will do my best to notice you and will ask you to unmute yourself to ask a question or participate, and as a fail-safe I will assign a graduate student to help me in monitoring for remote questions.

General policies

- I have a zero-tolerance policy for cases of academic dishonesty. You need to make a choice beforehand that you will not engage in such disreputable conduct. Violations of the university policy on plagiarism or other cases of academic dishonesty will not be tolerated and can lead to serious action which may follow you far beyond your years in this university. Don't go there.
- Technology: I am a big believer in the use of computers, laptops and tablets for coursework. However, there is rampant abuse of this technology. People use it for social media purposes and many other activities during class. This is extremely disrespectful to your fellow classmates and can negatively influence your participation grade if I observe it during class.
- There will be no make-up exams unless there are severe cases of extenuating circumstances. In such cases documentation will be required for arrangements to be made.

*As a student, you may experience a range of challenges that can interfere with learning, such as strained relationships, increased anxiety, substance use, feeling down, difficulty concentrating and/or lack of motivation. These **mental health concerns** or stressful events may diminish your academic performance and/or reduce your ability to participate in daily activities. CMU services are available, and treatment does work. You can learn more about confidential mental health services available on campus at: <http://www.cmu.edu/counseling/>. Support is always available (24/7) from Counseling and Psychological Services: 412-268-2922.*

Take care of yourself. *Do your best to maintain a healthy lifestyle this semester by eating well, exercising, avoiding drugs and alcohol, getting enough sleep, and taking some time to relax. This will help you achieve your goals and cope with stress.*

All of us benefit from support during times of struggle. You are not alone. There are many helpful resources available on campus, and an important part of the college experience is learning how to ask for help. Asking for support sooner rather than later is often helpful.

If you or anyone you know experiences any academic stress, difficult life events, or feelings of anxiety or depression, we strongly encourage you to seek support. Counseling and Psychological Services (CaPS) is here to help. Call 412-268-2922 and visit their website at <http://www.cmu.edu/counseling/>. Consider reaching out to a trusted friend, faculty member, or family member for help in getting connected to support services.

If you or someone you know is feeling suicidal or is in danger of self-harm, call for help immediately, day or night:

CaPS: 412-268-2922

Re:solve Crisis Network: 888-796-8226

If the situation is life threatening, call the police:

On campus: CMU Police: 412-268-2323

Off campus: 911

If you have questions about this or your coursework, please let me know.

Course Readings and Schedule

Date	Subject	Reading 1	Reading 2
2-Feb	Class Introduction		
4-Feb	10 Principles of Economics / Econ Thinking	Mankiw 1 & 2	
9-Feb	Supply, Demand, & Govt Policies	Mankiw 6	Taylor 2 & 4
11-Feb	Consumer Surplus & Market Efficiency	Mankiw 7	
16-Feb	Costs of Taxation	Mankiw 8	
18-Feb	Externalities	Mankiw 10	
23-Feb	<i>Break Day</i>		
25-Feb	Public Goods	Mankiw 11	
2-Mar	Types of Competition	Mankiw 14	Taylor 9 & 10
4-Mar	Exam I		
9-Mar	The Monetary System	Mankiw 21	Taylor 29
11-Mar	Inflation	Mankiw 22	
16-Mar	Unemployment	Mankiw 20	Taylor 6
18-Mar	Economic Growth II	Mankiw 17	Taylor 16; Acemoglu 1
23-Mar	Open Economy Macro	Mankiw 18 & 19	Taylor 7
25-Mar	Exam II		
30-Mar	Government Policy and Aggregate Demand	Mankiw 24	
1-Apr	Gains of Trade	Mankiw 3	Irwin 5 (entire ch.) & 6 (pg 87-93)
6-Apr	<i>ISA Conference - No class</i>		
8-Apr	The Political Economy of Trade	Krugman 10	Irwin (Foreign Affairs)
13-Apr	Mankiw (macro) on Exchange Rates	Mankiw Macro 13	Taylor 34 / Oatley Trilemma
15-Apr	<i>Carnival - No class</i>		
20-Apr	The Int'l Financial System	Mishkin 19 (24 pages)	Mishkin 14 (6 pages)
22-Apr	The Conduct of Monetary Policy	Mishkin 17 (27 pages)	Goodfriend (10 pages)
27-Apr	<i>Presentations Day I</i>		
29-Apr	<i>Presentations Day II</i>		
4-May	<i>Presentations Day III</i>		
6-May	Exam III		