Syllabus for Government 467

Current Issues in Economic Policy
Fall, 2014

Mondays and Wednesdays, 1:30 p.m.
Meese Room, Mason Hall

Professor Steven Pearlstein
Office: East 207-C/ Robinson Professors Suite
Phone: 703-993-2165
E-mail: spearls2@gmu.edu
Robinson Coordinator: Denise Napoliello 703-993-2171
Office Hours: Mondays and Tuesdays 3-5 PM, or by appointment

COURSE DESCRIPTION: This interdisciplinary seminar is offered as part of the concentration in Politics, Philosophy and Economics but is open to other students who have taken basic courses in economics. The aspiration of the course is to use theoretical concepts from economics, political science and philosophy to analyze real-world problems and evaluate a range of politically acceptable policy options to deal with them. Our fundamental questions will be: Why are things the way they are? What would make them better? What are the institutional and political impediments to change? How should we balance the tradeoff between fairness and efficiency, liberty and the need for collective action, self-reliance and mutual support? Topics this semester include the sources of economic growth, income inequality and poverty, health care, financial crises, and taxes.

CLASS SESSIONS: The course is organized around six fundamental, contentious, and unresolved questions confronting the U.S. and global economies. Several class sessions will be devoted to each of the questions.

The first session of each unit will feature a presentation by four students whose overview will include a range of views on the question drawn from a variety of sources. The presentations should include the
most widely cited analyses and theories on the subject, the most current economic and political data, and a range of policy options for dealing with the problem. Presenters are encouraged to make use of charts, graphs videos and other visual materials. Each group should meet with me at least two weeks prior to its presentation.

The second session of each unit will be given over to a wide-ranging class discussion of the question/problem, using the student presentation and the assigned reading as points of departure.

The third session will generally be given over to a talk by an outside expert. I will “interview” the guest for about a half hour, followed by your questions and a general discussion. You should do some of your own research about the guest and come to the session with thoughtful and challenging questions.

In the fourth and final session of each unit, the class will break up into four groups, each one chaired by one of the four original presenters. The assignment for each group will be to craft a policy solution to the problem and defend it on economic, political and moral terms. Students should come to these sessions having already researched various policy options.

This is a discussion-based seminar. What you get out of it will depend largely on what you put into it. Although I will moderate the discussions and play an active, Socratic role, these class sessions are not meant to be a conversation between a professor and students. Rather, they are meant to be a discussion among students who speak to, question and disagree with each other. A good portion of your final grade will be based on the frequency and quality of your contributions to these discussions.

**FINAL PAPER:** Students will use their in-class presentation, and the ensuing discussions, as the foundation for a 15-page policy brief due two weeks after the class has completed the unit. The paper, written in plain English for a hypothetical policy maker, should concisely analyze the question or problem and make a cogent case for a set of policy solutions that take in economic, political and moral considerations. Papers will be evaluated based on the thoroughness of the research, the clarity of the writing and presentation, the effectiveness of the arguments and the originality of thought. Each student will write his or her own paper.
COURSE EVALUATION:

Class presentation 20%
Final Paper 40%
Class Participation 40%

READINGS

The required reading for this course is substantial, including several books that are quite long. You will need to carefully plan your reading in advance. All the reading for each unit will need to be done by the first day of that unit. I strongly recommend you get a jump on the reading over the summer with Commanding Heights and Why Nations Fail.

Commanding Heights, The Battle for the World Economy, by Daniel Yergin and Joseph Stanislaw (or watch six-part PBS series by the same name instead)

Why Nations Fail, The Origins of Power, Prosperity and Poverty, by Daron Ocemoglu and James Robinson

The Persistence of Poverty, Why the Economics of the Well-Off Can’t Help the Poor, by Charles Karelis

In Our Hands, A Plan to Replace the Welfare State, by Charles Murray

The End of Prosperity, How Higher Taxes Will Doom the Economy – If We Let It Happen, by Arthur Laffer, Stephen Moore and Peter Tanous


Reinventing American Health Care: How the Affordable Care Act will Improve our Terribly Complex, Blatantly Unjust, Outrageously Expensive, Grossly Inefficient, Error Prone System, by Ezekiel Emanuel
The Myth of the Rational Market, A History of Risk, Reward and Delusion on Wall Street, by Justin Fox

How Markets Fail, The Logic of Economic Calamities, by John Cassidy

Capital in the 21st Century, by Thomas Piketty

CLASS SCHEDULE:

Aug. 25      Introductions, Presentation Assignments and Student Opinion Survey

Aug. 27-Sept. 3   Overview: Markets v. Government
                   Reading: Commanding Heights, or watch PBS video series

The world has just completed a century-long experiment into the question of how best to organize economic activity—through government, through free markets or some combination of the two. We’ll review that history and the economic ideas that came to drive the new policy consensus, and ask whether that consensus is already beginning to unravel. (No student presentations)

Sept. 3       Guest Speaker: Dan Yergin, author of Commanding Heights
Sept 8-17  Why Are Some Nations Rich and Others Poor?

Reading: Why Nations Fail

A look at the reasons why so much of the world was poor for so long, how Britain and Europe were able to escape from the poverty trap and why it has taken so long for much the rest of the world to catch up. We'll also explore what works and what doesn’t to accelerate the development of poor countries.

Sept. 15  Guest Speaker: Arvind Subramanian, senior fellow at both the Peterson Institute for International Economics and Center for Global Development

Sept. 22 – Oct. 1  Why is Poverty So Persistent?

Reading: The Persistence of Poverty and In Our Hands

We’ll explore why the United States, a wealthy nation, suffers from having a large underclass and relatively high poverty rates, and whether these are inevitable in a society with a strong preference for free-markets and widespread public skepticism about the welfare state. Are the poor poor because of personal failings or because of a lack of opportunity offered by the wider society?

Sept. 29: Guest speaker: Charles Karelis, philosopher and author of The Persistence of Poverty

Oct. 6 – 20  Do Taxes Reduce Growth and Employment?

Reading: The End of Prosperity (Ch. 1-11, 13,14) and Taxing Ourselves (Ch. 1-8)

The bedrock principle of Republican politics and conservative economics is that taxes inhibit economic growth. How does the historical experience fit with the supply-side theory? What are the
tradeoffs between economic fairness and economic efficiency? Which taxes are the most harmful to investment, innovation and job creation? How could the tax system be better structured to encourage growth?

Oct. 15 Guest Speaker: Martin Sullivan, economist and columnist for Tax Notes

Oct. 22 – Nov. 3 Why Does Health Care Cost So Much?

**Reading:** *Reinventing American Health Care*

We’ll explore the myriad of reasons that drive the cost of U.S. health care to be the most expensive in the world while failing to delivery anything close to the best health outcomes. And we’ll consider whether Obamacare is the right solution.

Oct. 29 Guest speaker: Len Nichols, economist, former Obama health adviser and director of GMU’s Center for Health Policy Research

Nov. 5-17 Why Do We Keep Having Financial Crises?

**Reading:** *The Myth of the Rational Market* and *How Markets Fail* (Chapters 1, 16-23, Conclusion and Afterword)

The junk bond crisis, the savings and loan crisis, the Asian financial crisis, the tech and telecom bubble, the 2008 financial crisis—why do these crises seem to be occurring with greater frequency and severity? We’ll explore the natural rhythms of the investment cycle, the institutional structures that have lead to recent crises and the failure of regulation to prevent them. We’ll also consider the intellectual arguments between those who view financial markets as rational and those who see it as fundamentally irrational.

Nov. 12 Guest speaker: David Wessel, former economics editor and columnist at the Wall Street Journal, author of *In Fed*
We Trust, a book about the recent financial crisis, and director of Center on Monetary and Fiscal Policy at Brookings Institution

Nov. 19-Dec. 3  Why Are Incomes Becoming More Unequal

Reading: Capital in the 21st Century (excluding pp. 270-304 and 540-570)

The gap between rich and poor is widening in advanced countries, but more so in the United States, where social mobility also lags behind. What is the nature and causes of this inequality of incomes, wealth and opportunity? What impact does it have on the economy, on politics and on society? What steps, if any, should government take to reverse these trends?

Dec. 1  Guest speaker: Scott Winship, social policy researcher and blogger, Manhattan Institute

ELECTRONIC DEVICES: All cell phones and communications devices should be shut off during class. You may bring computers to class to take notes or look things up as we are talking. If you are caught checking emails or Facebook, however, you will be asked to leave.

COMMUNICATION: All students should check university e-mail accounts for class updates. I will access e-mail through Blackboard. If you cannot attend a class session, please let me know in advance.

STUDENTS WITH DISABILITIES: If you are a student with a disability and you need academic accommodation, please see me and contact the Disability Resource Center at 703-993-2474.
ENROLLMENT: Students are responsible for verifying their enrollment in the class. Last day to add or drop classes without penalty is Tuesday, Sept. 2. Please let me know if you drop the class before or after that date.

HONOR CODE:

1. No help may be given or received by students when taking quizzes, tests or examinations, whatever the type or wherever taken, unless the instructor specifically permits deviation from this standard.

2. All work submitted to fulfill course requirements is to be solely the product of the individual(s) whose name(s) appear on it. Except with permission of the instructor, no recourse is to be had to projects, papers, lab reports or any other written work previously prepared by another student, and except with permission of the instructor, no paper or work of any type submitted in partial fulfillment of the requirements of another course may be used a second time to satisfy a requirement of any course. No assistance is to be obtained from commercial organizations that sell or lease research help or written papers. With respect to all written work, proper footnotes and attribution are required.