

# **ECONOMICS 395: TOPICS IN ECONOMICS AND ECONOMIC POLICY**

## **Section 2: Seminar on Controversial Economic Policy Issues**

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### **DESCRIPTION**

This seminar will address a series of economic policy issues which have given rise to sharp debate among economists and policy-makers. The seminar will be organized in an interactive format, with strong emphasis on classroom discussion and on the use of the world-wide web to facilitate communication among all participants. The seminar will operate a CTools website, identified as ECON 395 002.

After two initial class sessions devoted to introductory and background issues, we will devote five class sessions to each of five policy issues. The time schedule is as follows:

|                                    |  |
|------------------------------------|--|
| <b>Sept 6, 8:</b>                  | <b>INTRODUCTORY AND BACKGROUND ISSUES</b>        |
| <b>Sept 13, 15, 20, 22, 27:</b>    | <b>1. THE U.S. SOCIAL SECURITY SYSTEM</b>        |
| <b>Sept. 29; Oct 4, 6, 11, 13:</b> | <b>2. CHILD LABOR AND INTERNATIONAL TRADE</b>    |
| <b>Oct 20, 25, 27; Nov 1, 3:</b>   | <b>3. THE LIVING WAGE</b>                        |
| <b>Nov 8, 10, 15, 17, 22:</b>      | <b>4. MARKET-BASED CHOICE IN EDUCATION</b>       |
| <b>Nov. 29; Dec 1, 6, 8, 13:</b>   | <b>5. AFFIRMATIVE ACTION IN HIGHER EDUCATION</b> |

Each of the five policy issues will be framed in terms of the assertion of a proposition, with which one may agree or disagree. The propositions are as follows:

1. The US should restructure the social security system so that people can direct a substantial part of their social security payments into personally-managed investment accounts.
2. The US should use trade sanctions to punish foreign exporters who save on production costs by employing child labor.
3. Cities should require that businesses they contract with (or give benefits to) pay workers a “living wage” well above the national minimum wage.
4. The US public school system should be transformed into a market-based system in which people choose among competing autonomous schools, with each child getting a publicly-financed stipend to pay for schooling.
5. Race-based affirmative action in admissions to higher educational institutions should be abolished.

## **READING LIST**

Readings are listed below by topic. The starred readings are essential (and material from them may appear on the short quizzes). The readings numbered 0 address relevant basic theory; the rest of the readings focus on policy issues. All starred readings are included in the course-pack, which can be purchased in two parts at Dollar Bill Copying, 611 Church. Unstarred readings are recommended especially for those who participate in the classroom debate or write a paper on the topic at issue; they can also be the subject of a report to the class on our CTools website. The unstarred readings will either be on reserve at UGLI or available on the web. Note: additional recommended readings will be announced from time to time at the CTools website.

### **INTRODUCTORY AND BACKGROUND ISSUES**

- \*0. Neva Goodwin, Thomas Weiskopf et al., "The Goals of Economic Activity" (course-pack I, pp. 1-6).

### **I. THE U.S. SOCIAL SECURITY SYSTEM**

- \*0. Neva Goodwin, Thomas Weiskopf et al., introduction to "Markets, Politics and the State" and "Markets vs. Politics as Mechanisms of Popular Control" (course-pack I, pp. 7-10).
- \*1. Bradley Schiller, The Economics of Poverty and Discrimination (9<sup>th</sup> Edition, Prentice Hall, 2004), ch. 12, section on "Social Security," pp. 237-244.
- \*2. Economic Policy Institute, "Social Security: Frequently Asked Questions" (2005), on the web at [http://www.epinet.org/content.cfm/issueguide\\_socialsecurityfaq](http://www.epinet.org/content.cfm/issueguide_socialsecurityfaq)
- \*3. Paul Krugman, "Confusions about Social Security," The Economist's Voice, Vol. 2 (2005), Article 1, 9 pages.
- \*4. Edward Lazear, "The Virtues of Personal Accounts for Social Security," The Economist's Voice, Vol. 2 (2005), Article 4, 7 pages.
- \*5. Jeffrey Liebman, "Reforming Social Security," Harvard Magazine, March-April 2005, pp. 30-35.
- 6. Articles on social security made available by the Cato Institute on the web at <http://www.cato.org/pubs/ssps/sspstudies.html>
- 7. Articles on social security made available by the Center on Budget and Policy Priorities on the <http://www.cbpp.org/pubs/socsec.htm>
- 8. Articles on social security made available by the Economic Policy Institute on the web at [http://www.epi.org/content.cfm/issueguide\\_socialsecurity](http://www.epi.org/content.cfm/issueguide_socialsecurity)

## II. CHILD LABOR AND INTERNATIONAL TRADE

- \*0. Neva Goodwin, Thomas Weisskopf et al., "The Concept of Pareto Optimality" and "The Requirements of a Perfectly Competitive Economy" (course-pack I, pp.11-15).
- \*1. Gary Burtless, "Workers' Rights: Labor Standards and Global Trade," Article 45 in Don Cole (ed.), Economics, (33<sup>rd</sup> Edition, McGraw-Hill/Dushkin, 2005/06), pp. 135-148.
- \*2. Arat, Zehra, "Analyzing Child Labor as a Human Rights Issue: Its Causes, Aggravating Policies, and Alternative Proposals," Human Rights Quarterly, Vol. 24 (2002), pp. 174-204.
- \*3. Kaushik Basu, "International Labor Standards and Child Labor," Challenge, Vol. 42 (1999), pp. 80-93.
- \*4. Debra Satz, "Child Labor: A Normative Perspective," The World Bank Economic Review, Vol. 17 (2003), pp. 297-309.
- \*5. Nadir Budhwani, Belinda Wee & Gary N. McLean, "Should Child Labor be Eliminated? An HRF Perspective," Human Resource Development Quarterly, Vol. 15 (2004), pp. 107-116.
- 6. Eddy Lee, "Globalization and Labour Standards: A Review of the Issues," International Labour Review, Vol. 136 (1997): pp. 173-189.
- 7. Kaushik Basu, "Child Labor: Cause, Consequence and Cure with Remarks on International Labor Standards," Journal of Economic Literature, Vol. 37 (1999), pp. 1083-1119.
- 8. Kaushik Basu and Zafiris Tzannatos, "The Global Child Labor Problem: What Do We Know and What Can We Do?," World Bank Economic Review, 2003 – on the web at [http://www.arts.cornell.edu/econ/cae/Basu-Tzannatos 12.pdf](http://www.arts.cornell.edu/econ/cae/Basu-Tzannatos%2012.pdf)

## III. THE LIVING WAGE

- \*0. Neva Goodwin, Thomas Weisskopf et al., introduction to "Limitations of Pareto Optimality as a Criterion of Welfare" and "The Issue of Distributional Fairness or Equity" (course-pack I, pp. 15-18).
- \*1. Chris Tilly, "Next Steps for the Living Wage Movement," Dollars & Sense, Sept./Oct. 2001, pp. 36-39, 48.
- \*2. Economic Policy Institute, "Living Wage: Frequently Asked Questions" (2005), on the web at [http://www.epi.org/content.cfm/issueguides\\_livingwage\\_livingwagefaq](http://www.epi.org/content.cfm/issueguides_livingwage_livingwagefaq)
- \*3. Robert Pollin, The Living Wage: Building a Fair Economy, New Press (1998), chapters 1-2, pp. 1-53 and 229-231.

- \*4. Donald Deere, Kevin M. Murphy and Finis Welch, "Sense and Nonsense on the Minimum Wage," Regulation (The Cato Review of Business & Government), on the web at <http://www.cato.org/pubs/regulation/reg18n1c.html>
- \*5. Bradley Schiller, The Economics of Poverty and Discrimination (9<sup>th</sup> Edition, Prentice Hall, 2004), ch. 14, section on "Employment Tax Credits," pp. 265-269.
- 6. Articles on the living wage and on the minimum wage made available by the Economic Policy Institute on the web at [http://www.epi.org/content.cfm/issueguides\\_livingwage\\_livingwage](http://www.epi.org/content.cfm/issueguides_livingwage_livingwage) & [http://www.epi.org/content.cfm/issueguides\\_minwage\\_minwage](http://www.epi.org/content.cfm/issueguides_minwage_minwage)
- 7. Carl Horowitz, "Keeping the Poor Poor: The Dark Side of the Living Wage," on the web at [http://www.cato.org/pub\\_display.php?pub\\_id=1352](http://www.cato.org/pub_display.php?pub_id=1352)
- 8. Robert Pollin, "Evaluating Living Wage Laws in the United States: Good Intentions and Economic Reality in Conflict?," PERI Working Paper #61 (2003), on the web at <http://wwwx.oit.umass.edu/~peri/html/1/61.html>

#### **IV. MARKET-BASED CHOICE IN EDUCATION**

- \*0. Neva Goodwin, Thomas Weisskopf et al., "The Limitations of the Individualist Ethic" (course-pack I, pp. 18-21).
- \*1. John Chubb and Terry Moe, "Choice Is a Panacea," The Brookings Review, Summer 1990: pp. 4-12.
- \*2. Bill Honig, "Why Privatizing Is a Bad Idea," The Brookings Review, Winter 1990/91: pp. 15-16.
- \*3. Benjamin Barber, "Education for Democracy," and Clint Bolick, "The Struggle for Parental Choice," in The Good Society, Vol. 7, No. 2 (Spring 1997): pp. 1, 4-11.
- \*4. Helen Ladd, Market-Based Reforms in Urban Education, Economic Policy Institute (2002), pp. 1-45.
- \*5. Howard Gardner, "Paroxysms of Choice," New York Review of Books, Oct. 19, 2000, pp. 44-49.
- 6. Richard Rothstein, "Charter Conundrum," The American Prospect, No. 39, July-August 1998: pp. 46-60; on the web at <http://www.prospect.org/print/V9/39/rothstein-r.html>
- 7. Joseph Bast, David Hammer and Douglas Dewey, "Vouchers and Educational Freedom: A Debate," on the web at [http://www.cato.org/pub\\_display.php?pub\\_id=1128&full=1](http://www.cato.org/pub_display.php?pub_id=1128&full=1)

8. David N. Plank and Gary Sykes, The School Choice Debate: Framing the Issues (The Education Policy Center at Michigan State University, October 2000); on the web at <http://www.epc.msu.edu/publications/publications.htm>

## V. AFFIRMATIVE ACTION IN HIGHER EDUCATION

- \*0. Neva Goodwin, Thomas Weisskopf et al., "Problems of Government Policy Action" (course-pack I, pp. 21-26).
- \*1. Bradley Schiller, The Economics of Poverty and Discrimination (9<sup>th</sup> Edition, Prentice Hall, 2004), ch. 10, sections on "Racial, Class, & Sex Discrimination in Education," pp. 175-187, and ch. 15, section on "Equal Educational Opportunity Policies," pp. 280-292.
- \*2. Loury, Glenn, "Foreward" to William G. Bowen and Derek Bok, The Shape of the River: Long-Term Consequences of Considering Race in College and University Admissions, (Princeton University Press, paperback edition, 1998), pp. xxi-xxx.
- \*3. Carl Cohen, "Race Preference is Morally Wrong," section one, chapter 4 in Carl Cohen and James Sterba, Affirmative Action and Racial Preference: A Debate (Oxford University Press, 2003), pp. 23-45.
- \*4. Thomas E. Weisskopf, "The Debate over Positive Discrimination in the United States," (unpublished typescript), Fall 2002: 8 pages.
- 5. Thomas E. Weisskopf, "An Analysis of Arguments for and against Affirmative Action in Admissions to Higher Educational Institutions," (unpublished typescript), Fall 2002: 22 pages (incl. table).
- 6. Richard Kahlenberg, "Economic Affirmative Action in College Admissions," Century Foundation Issue Brief, April 2003, on the web at <http://www.centuryfoundation.org/Publications/Education/kahlenberg-affaction.pdf>
- 7. Anderson, Elizabeth, "From Normative to Empirical Sociology in the Affirmative Action Debate: Bowen and Bok's *The Shape of the River*," Journal of Legal Education, Vol. 50, No. 2 (June 2000), pp. 284-305.
- 8. Sandalow, Terrance, "Minority Preferences Reconsidered" (a review of Bowen and Bok's *The Shape of the River*"), followed by a response from Bowen and Bok and a rejoinder by Sandalow, Michigan Law Review, Vol. 97 (May, 1999), pp. 1874-1927.