

WASHINGTON SEMESTER PROGRAM
American University
Washington, DC 20016
ECONOMIC POLICY SEMINAR SYLLABUS
Spring 2007

Economic Policy Seminar I and II
ECON 383 and ECON 384
WSEM-095-001T and WSEM-095-002T*
(* For International Certificate Students)

Professor S. Headlee

WELCOME TO A SEMESTER INSIDE THE BELTWAY!

The Washington Economic Policy Semester Seminar is an intensive examination of economic policy making in Washington. The heart of the seminar is on-site discussions with economic policy decision makers and economic policy analysts. There is much interactive discussion, extensive readings, preparation of papers, and exams. "Inside the Beltway" is a metaphor for the political and policy world of Washington, for "Insider Washington," and for official Washington, its critics, and its benefactors. The Beltway refers to the Capital Beltway that is a ring road around Washington circling through the states of Maryland and Virginia. The agenda inside the beltway often is different from that of Americans around the country as surveyed by opinion polls.

He who knows only his side of the case knows little of that.
John Stuart Mill, *On Liberty*, 1859

Tolerance of different opinions is essential to the Washington Semester learning experience. You are here to consider multiple points of view. We aim for free and easy discussion. You can't understand your own views if you don't understand the opposing views. For that you have to hear them. If you act so that it shows you are listening to other points of view, we will create a good atmosphere for people to express their opinions. Be inviting of other points of views. Here at the university we have a special opportunity to discuss things civilly. So make a special effort and you will be better at persuading people to your view and, who knows, maybe you will change your own. I challenge you to be open-minded.

The primary teaching methodology of this seminar is **experiential learning**. You will be learning about policymaking and policy implementation in Washington by following the debates as they occur here. I will try to facilitate your experiential learning by teaching you the "ropes" of Washington. We will be visiting many institutions of policymaking and implementation. We will role-play the making of policy decisions by the people in those institutions. In our debates, we use arguments, empirical data, and other forms of evidence. This is in contrast to **traditional teaching of economics**, which is focused on theories and econometrics.

REQUIRED READING:

Newspapers. You are required to read *The Washington Post* or *The Washington Times* each day to learn about US and global economic news and for domestic and international

economic policy news. *The Washington Post* is available for free daily during the week at the front desk of Congressional Hall. *The Washington Times* can be bought at any Metro Station. It is also available for free on line at www.washingtonpost.com Skim the front section of the *Washington Post* for economic news. Read the Business Section of the *Post*. Read the newspaper for FACTS, ANALYSIS, AND OPINION, that is, read the articles, the editorials, and the opinion pieces opposite the editorial page. In addition, from time to time, you may want to read the *New York Times*, partly available on-line at www.nytimes.com the *Wall Street Journal*, *The Financial Times*, and *The Economist magazine*. We will discuss current events every Monday morning and every Wednesday afternoon.

Books. The following books are available for purchase at the Campus Store on Main Campus: Listed under Economics:

Henry J. Aaron, James M. Lindsay, and Pietro S. Nivola (Eds). *Agenda for the Nation*. Washington, DC: Brookings Institution Press, 2003.

Bob Woodward. *Maestro: Greenspan's Fed and the American Boom*. New York: Simon and Schuster, 2000. ISBN # 0-7432-0412-3 or paperback if available.

Paul E. Peterson and Martin R. West (Eds.) *No Child Left Behind?* Washington, DC: Brookings Institution Press, 2003.

Edward J. Chambers and Peter H. Smith (Eds.) *NAFTA in the New Millennium*. La Jolla, CA: Center for US-Mexican Studies, University of California, San Diego, 2002.

Paul Blustein. *The Chastening: Inside the Crisis that Rocked the Global Financial System and Humbled the IMF*. New York: Public Affairs, 2001. ISBN # 1-891620-81-9

Sebastian Mallaby. *The World's Banker*. New York: Penguin Press, 2004.

Internet. ACTIVATE YOUR www.my.american.edu and AU email accounts. It is your responsibility to check your AU E-mail everyday. If, for example, a speaker has to cancel her talk downtown, I will E-mail you this message. You will receive the message at your AU E-mail address. If you don't check this AU E-mail address everyday, then you should request that the university forward your AU E-mail to your preferred daily E-mail account, be it hotmail or yahoo or your home school account. Do this by going to <http://my.american.edu> Or call the AU Office of Information Technology at 885-2550. Also on-line is the helpdesk@american.edu

REQUIREMENTS OF THE SEMINAR:

The seminar is worth eight credit hours, for which two grades are assigned. The final grade will be determined by the following requirements and weighing system: You will receive **eight** grades that will be averaged for your final grade in the double course.

The first four grades are related to your **experiential learning**:

First grade: ATTENDANCE AND PUNCTUALITY. Students are required to attend all seminars. Students must be on time for all seminars, especially those in the city with guest speakers. Be at the seminar site at least ten minutes early so that the speaker can start speaking on time. Persistent lateness and persistent missing of seminars will significantly lower your grade. I take the roll on Monday mornings and Wednesday afternoons. But I also keep track of who attends the seminars downtown.

Second grade: ACTIVE PARTICIPATION is considered an integral aspect of the course. On Monday mornings, students are to participate in the interactive lectures. During the (usually) four seminars each week at which we will have guest speakers, speakers of the week, students are expected to ask questions of the speakers. Half of each seminar is reserved for Questions and Answers. Students will be graded on the frequency and the quality of their questions posed to the speakers. On Wednesday afternoon, students are expected to discuss the speakers of the week and the weekly reading assignments.

In addition, you will be asked to make a presentation on your region of the US if you are an American student or on your country if you are an International student.

To help you understand the idea of participation and its role in your learning, here are some issues that I will have to comment on, at the end of the semester for those students from member schools:

- Overall participation
- Overall attendance
- General attitude
- Quality of questions at seminars
- Student initiative in seeking faculty assistance
- Responsiveness to faculty guidance
- Punctuality at seminars
- Punctuality in meeting paper deadlines
- Quality of interaction with other students

This is what is important to the member schools. And this is what is important to us at the Washington Semester Program. The more you participate, the more you learn.

Third grade: CURRENT EVENTS. Also important is your participation in the discussion of current events in the first fifteen minutes of each Monday morning class and each Wednesday afternoon discussion. This is where I evaluate your compliance with the requirement to read one of the Washington newspapers each day.

Fourth grade: GROUP PRESENTATIONS. The class will be divided into four groups and each group will make a presentation during one of the last four weeks of the semester. You

will role-play policy makers and simulate them making decisions. The four topics (1) The Federal Open Market Committee decides on monetary policy for the next six-week period; (2) The Securities and Exchange Commission meets to make implementing rules for the Sarbanes-Oxley Bill for improving corporate governance and accounting. (3) The Executive Directors of the International Monetary Fund meet to decide whether or not to provide emergency lending to a developing country with a balance of payments problem; (4) The Executive Directors of the World Bank meet to decide whether or not to provide a loan to a developing country for their economic development.

The next four grades are of a **traditional nature**:

Fifth and sixth grades: TWO WRITTEN PAPERS are required. Each paper is to be 5-6 double-spaced typed pages. Number your pages. Date your paper. Give your paper a title. Label your paper with “Economic Policy Seminar” and my name “Headlee,” in case it gets lost. The first paper will be on domestic economic policy and the second paper on international economic policy. Topics will be announced.

Seventh and eighth: TWO IN-CLASS EXAMS. There will be two in-class exams (a mid-term and a final). Exams will be essay questions in which you analyze the economy and economic policies of the US and the world and defend your opinions. Blue books will be provided.

A Typical Week

A typical week begins on Monday morning with an interactive lecture with your seminar professor at Tenley Campus on the topic of the week. Then, on Monday afternoon, Tuesday morning, Tuesday afternoon, and Wednesday morning, we will take field trips to Capitol Hill and downtown Washington. **While Congress is in session, we will go to Capitol Hill and attend committee hearings either on the Senate side or on the House of Representatives side, on Wednesday mornings.** The time and venue of hearings are listed in the *Washington Post* each morning that Congress is in session. Then, on Wednesday afternoons, we will have discussions of the week's speakers, experiences, and readings. Each week you will be given a schedule for the following week, telling you where the seminars are and how to get there. You are expected to arrive ahead of time so that the speaker can begin on time. You are responsible for getting to the seminars off campus by Metro. Ask questions.

Dress Code

When we go downtown or on Capital Hill, wear “business casual,” which means no torn-T-shirts, no cut-offs, no flip-flops, no jeans.

COURSE SCHEDULE AND ASSIGNMENTS

DOMESTIC ECONOMIC POLICY

The first half of the semester will focus on domestic economic policy. After studying the US Economy and how its performance is measured in Washington, we turn to making fiscal policy

by Congress and the Administration, making monetary policy by the Federal Reserve, and finally making labor policy and education policy.

INTRODUCTION: Thursday, **January 11**

NO CLASSES ON MONDAY, JAN. 15TH MLK, JR.'S BIRTHDAY OBSERVED

Week 1 **January 16**

THE STATE OF THE AMERICAN ECONOMY

Read newspapers and search Internet for information on the US Economy. How is the economy doing? How do we know? How are business, finance, and labor doing? What is the state of the US Stock Market? American students: How is your region of the country doing?

Read for Discussion: Brookings book, Chapter 2 Sustaining US Economic Growth.

I. FISCAL POLICY

Week 2 **January 22**

This week we will look at the process of making FISCAL POLICY in Washington.

Read for Discussion: Brookings book, Chapter 4 Budget Blues: The Fiscal Outlook and Options for Reform.

Week 3 **January 29**

This week we will study energy policy. What tax breaks do we give energy companies? What tax breaks do we give to individuals and firms for alternative forms of energy? What subsidies do we give for all of the above? We tax and we subsidize and we also regulate. How do we regulate energy use?

Read for Discussion: *Greenspan's Fed*, Chapters 2, 3, 4, and 5.

II. MONETARY POLICY and MANAGING DOMESTIC FINANCIAL CRISES

Week 4 **February 3**

FIRST PAPER DUE (topic to be announced)

This week we will study the process of making MONETARY POLICY at the Federal Reserve.

Read for Discussion: *Greenspan's Fed*, Chapters 6,7 and 8.

See the Fed's website.

Week 5 **February 12**

This week we will study the Fed as a crisis manager and lender of last resort. Case study of Stock Market Crash of 1987, the crash of the dot.com bubble in 2000, the bear market from March 2001, and the current market woes. We will also study the Securities and Exchange Commission and the Sarbanes-Oxley Act. We study the Commodities Futures Trading Commission (CFTC).

Read for Discussion: Greenspan's Fed, Chapters 9, 14 and 15.

III. LABOR POLICY AND EDUCATION POLICY

Week 6 **February 19**

This week we will study making LABOR POLICY in Washington. We also look at the issues of union policy and immigration policy.

Read for Discussion: Brookings book, Chapter 7 Changing Faces: Immigration and Diversity in the Twenty-First Century.

Week 7 **February 26**

We will study the Economics of Education and Public Policy.

Read for Discussion: Peterson and West, *No Child Left Behind?* Chapters 1, 2, and 13.

February 28: MID-TERM EXAM ON DOMESTIC ECONOMIC POLICY

INTERNATIONAL ECONOMIC POLICY

The second half of the semester will focus on international economic policy. After studying the state of the global economy and how it is measured, we turn to making trade policy by Congress and the US Trade Representative, making international financial and monetary policy at the US Treasury and the International Monetary Fund, and making economic development policy at the World Bank and US foreign aid agencies.

Week 8 **March 5**

THE STATE OF THE GLOBAL ECONOMY

What is the global economy? What is the state of the global economy today? How do we measure it?

Read for Discussion: Chambers and Smith, *NAFTA*, Introductory Essay pages 1 – 28, and Chapters 2 *NAFTA* and Mexico.

SPRING BREAK—NO CLASSES March 12 through 16

IV. TRADE POLICY, EXCHANGE RATE POLICY, AND THE INTERNATIONAL MONETARY SYSTEM

Week 9 **March 19**

This week we will study making TRADE POLICY in Washington, DC.

Read for Discussion: the Brookings book on Trade, pages 345-357. Plus Chambers and Smith, *NAFTA*, chapter 10 *NAFTA* and Labor and 12 *NAFTA* and Migration.

Week 10 **March 26**

This week we will study EXCHANGE RATE POLICY and THE INTERNATIONAL MONETARY SYSTEM. We will look at the European Monetary Union and the Euro, the Japanese Yen, and the US Dollar, and the Chinese Yuan. Then we will look at a Case Study of the Super Dollar of the 1980s on intervention in foreign reserve markets. Are you concerned about the decline in the value of the US dollar?

Read for Discussion: Chambers and Smith, *NAFTA*, chapters 13 NAFTA and Agriculture and 14 Transportation.

V. THE INTERNATIONAL FINANCIAL SYSTEM

Week 11 **April 2**

This week we will study the INTERNATIONAL FINANCIAL SYSTEM AND BEGIN OUR STUDY OF THE INTERNATIONAL MONETARY FUND. This week we also will focus on IMF CRISIS MANAGEMENT in the 1980s, 1990s, and 2000s. And we will discuss ideas of REFORMING THE IMF AND THE INTERNATIONAL FINANCIAL ARCHITECTURE.

See the IMF's web page: www.imf.org

Read for Discussion: Brookings book on international finance, pages 357-367. And read: Blustein, *The Chastening*, Chapters 1 and 2.

SECOND PAPER DUE (Monday) on international economic policy (specific topic to be announced)

VI. ECONOMIC DEVELOPMENT POLICY AND FOREIGN AID

Week 12 **April 9 GLOBAL ECONOMIC DEVELOPMENT, THE WORLD BANK, AND OTHER FOREIGN AID.** This week we will study the TWO KEY PARTS OF THE WORLD BANK GROUP: THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD) AND the soft-loan affiliate, THE INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA). We will also study the Inter-American Development Bank and US foreign aid agencies.

Read for Discussion: Blustein, *The Chastening*, Chapters 6 and 13.

Week 13 **April 16 ECONOMIC DEVELOPMENT OF CHINA AND INDIA—COMPARE AND CONTRAST**

Read for Discussion: Read the Brookings book on Reducing poverty, pages 329-345.

And read: Mallaby's *The World's Banker*, chapters 4 and 8.

Week 14 **April 23 ECONOMIC DEVELOPMENT—SUB-SAHARAN AFRICA**

Many countries in Sub-Saharan Africa have experienced a decline in their standard of living, their level of development, and are suffering from HIV-AIDS, malaria, and TB.

Read for Discussion: Mallaby's *The World's Banker*, chapters 9 and 12.

Last day of class: Monday, April 30

FINAL EXAM Thursday, May 3 from 1:00 to 3:00 pm.

IMPORTANT NOTE: Do not come to me at the last minute and ask to take the final exam early. I will allow a few students to take the exam early as a take-home exam for serious reasons, if they come to discuss it with me early in the semester. This privilege will not be granted for mere convenience. Make an appointment with me and bring your request in writing.