

AMERICAN ECONOMIC POLICYFaculty:

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Meeting Time/Location: Tuesday noon – 1:15pm; Thursday noon – 1:15pm; Sever 113

Prerequisite: Economics 1010a or 1011a, or API-101, or permission of one of the instructors.

The goal of this course is to develop your ability to use the economics you learned in your macroeconomic and microeconomic theory courses to understand and analyze key policy issues ranging from monetary and fiscal policy to tax reform, health care, and trade policy.

The course contains four units. In the macroeconomic policy unit we focus on how to prevent and respond to recessions and financial crises, policymaking in a low interest rate environment, and budget policy. In the tax and transfer policy unit we discuss conceptual frameworks for analyzing inequality, poverty, and redistribution and apply those frameworks to tax policy, anti-poverty policy, and social insurance. In the structural policy unit we address topics related to raising the economy's productive capacity and growth rate, including competition policy, immigration policy, and regional economic policy. In the policy making in a global context unit we address climate change, trade policy, international taxation, and global economic coordination.

Pre-pandemic, this course was heavily lecture based. Last year, as we adapted to remote teaching, we created lecture videos of much of the lecture content, let students watch the videos on their own schedule, and then taught the live Zoom sessions in a heavily interactive Socratic format. The feedback we received on this approach was very positive, and, as we return to in-person teaching, we are going to try to build on last year's teaching innovations.

The typical weekly cadence of the course consists of four components:

1. Asynchronous work by students at the beginning of the week. You will be expected to watch approximately 60 minutes of lecture video material, do some readings, and turn in a very short writing assignment or analytic problem by 9am on Tuesday. The professors will review the written responses before class on Tuesday and often use them to seed the class discussion.

2. Tuesday class session. Most weeks, the Tuesday class sessions will be taught in a highly interactive format. Occasionally, there will be some old fashion lecturing mixed in.
3. Thursday class session. Six of the Thursday class sessions will feature a joint appearance of the two professors in which they will debate a contentious topic in American economic policy. Other weeks, the Thursday class will be taught by one of the professors using the same format as the Tuesday classes.
4. Mandatory review sessions with teaching fellows. These will be offered at four different times during the second half of the week. Most weeks you will spend the first half of the review session working in small groups with classmates to solve old exam problems. Then in the second half, the full group will convene to discuss the answers to the problems and other key concepts from the week. *You may miss up to two review sessions with no grade penalty and without seeking advance permission* (however, if you are going to miss a review session, it would be polite to let your TF know in advance).

In addition, there are two other components of the class that are designed to build your policy-making skills:

- Policy memo. You will write a preliminary and final draft of a policy memo.
- Policy simulation. Toward the end of the semester, two consecutive review sections will be devoted to a policy simulation in which you will be expected to work as part of a team. You will need to meet with your teammates once or twice outside of section in preparation for these sections and also submit a short written assignment.

Finally, this course requires an in-class midterm and an exam-period final exam.

Grades and Requirements

- a midterm exam given in class on Tuesday November 2 -- 20 percent
- a preliminary and final draft of a four-page memo due at the beginning of class on October 19 and November 11-- 20 percent
- participation in a policy simulation exercise – 10 percent
- 11 very brief written reactions to readings or other questions due at 9am on most Tuesdays – 10 percent. *You may skip up to two of these with no penalty and without receiving advance permission.*
- active participation in Tuesday class sessions with professor and review sessions with TF – 10 percent.
- a final exam given in December -- 30 percent

Paper Option: Students have the option of writing a 20-25 page research paper (due on December 3) in lieu of the memo. The paper will count for 20 percent of the grade. Students who choose this option can count Economics 1420 as one of the courses that fulfill the economics department writing requirement.

Academic Integrity

Discussion and the exchange of ideas are essential to academic work. For assignments in this course, you are encouraged to consult with your classmates on the choice of paper topics and to share sources. You may find it useful to discuss your chosen topic with your peers, particularly if you are working on the same topic. However, you should ensure that any written work you submit for evaluation is the result of your own research and writing and that it reflects your own approach to the topic. You must also adhere to standard citation practices in this discipline and properly cite any books, articles, websites, lectures, etc. that have helped you with your work.

Academic misconduct of any sort will not be tolerated, and everyone should understand that we take this issue quite seriously. Please do not cheat on exams. In two of the past four offerings of this course, a student has cheated on an exam and been required by the Administrative Board to withdraw from Harvard. If you are feeling unprepared or otherwise stressed out and tempted to cheat, please reach out to a member of the teaching team. We are here to help you succeed.

The course website can be accessed here:

<https://canvas.harvard.edu/courses/91842>

Schedule
American Economic Policy
Fall 2021

Introduction

Th Sep. 2 COVID-19 & other challenges facing the U.S. economy (Liebman & Summers)

Macroeconomic Policy

Tu Sep. 7 Demand management & monetary policy (Liebman)

Th Sep. 9 Responding to financial crises. Inflation risk (Liebman & Summers)

Tu Sep. 14 Fiscal policy (Liebman)

Th Sep. 16 No class. Watch videos instead

Tu Sep. 21 Budget policy (Liebman)

Th Sep. 23 Policy making in a low interest rate environment (Summers)

Tax and Income Transfer Policy

Tu Sep. 28 Inequality (Liebman)

Th Sep. 30 The leaky bucket & other challenges to income equalization (Liebman)

Tu Oct. 5 Tax policy (Liebman)

Th Oct. 7 Tax reform: Is wealth taxation the answer? (Liebman & Summers)

Tu Oct. 12 Anti-poverty policies (Liebman)

Th Oct. 14 Is it time for a basic income? Robots & jobs? (Liebman & Summers)

Tu Oct. 19 UI, DI, & Social Security (Liebman)

Th Oct. 21 Should we pre-fund Social Security? (Liebman and Summers)

Structural Policies

Tu Oct. 26 Immigration policy (Liebman)

Th Oct. 28 Competition policy (Summers)

Tu Nov. 2 Midterm (in class)

Th Nov. 4 Middle class economic security & regional economic policy (Summers)

Tu Nov. 9 Health policy (Liebman)

Th Nov. 11 Health policy (Liebman)

U.S. Economic Policy in a Global Context

Tu Nov. 16 Climate change (Liebman)

Th Nov. 18 International taxation (Liebman)

Tu Nov. 23 Trade policy (Summers)

Th Nov. 25 No class (Thanksgiving)

Tu Nov. 30 The U.S. and global economic coordination (Summers)

Conclusion

Th Dec. 2 The road ahead (Liebman & Summers)