

# *Yale Department of Economics*

**Spring 2012 Undergraduate Seminar Preregistration**  
**Monday, November 14 to Thursday, November 17, 2011**  
**(From 9:00AM to 12:00PM and from 2:00PM to 4:00PM)**

1. **Placement in seminars** is for Junior and Senior Economics, Economics & Math, and EP&E *declared majors only* who have not yet met the seminar requirement.
2. **Priority will be given to seniors**: they will be placed on a pre-registration list. When there is excess registration for a seminars, assignment will be decided by lottery. Students who are eliminated by lottery will be considered for their next choices. **Juniors** applying to seminars will be put onto a waitlist and given next priority for places if the seminar is not filled by seniors at the start of the term. It will often not be possible to guarantee juniors places in seminar until the class has met and the instructor can assess whether there is space. Students who do not attend seminar sessions will be considered as having dropped the course even if they were on the pre-registration or wait lists.
3. **Required prerequisites for economics seminars** vary by seminar. Please consult the course listing for each seminar to find its prerequisites.
4. **Students who do not register** during above mentioned registration period will be assigned to open seminars.

# Spring 2011 Undergraduate Seminars

## Advance Lecture Courses with Limited Enrollment

Econ 407b/

Econ 724b

**INTERNATIONAL FINANCE**

Konstantinos Arkolakis    Mondays & Wednesdays, 9:00-10:15

The aim of the course is that the students develop an understanding of the main implications of increasing integration of the world economy. Topics covered in the course include theories and facts about trade costs, the current account, exchange rate pass-through, international macroeconomic co-movement, multinational production and gains from globalization. By describing the various ways that countries are affected by each other -through trade linkages, multinational production or financial markets- the course will try to explain how these forces affect the decisions of individuals and firms.

The course will be divided in two parts. The first part will be more like a traditional lecture class and will focus on theoretical models and empirical facts. The second part will be more like a seminar course with wide discussion on topics in international finance and international macroeconomics and presentations by students. There will be two problem sets, a midterm, a short presentation, and final term paper. In the presentation students will put forth the main arguments and ideas that will be part of their term paper.

*Prerequisite: After intermediate macroeconomics or equivalent*

## Seminar

Econ 451b/EPE393

**GLOBAL FINANCIAL SYSTEMS, FINANCIAL CRISES  
AND REGULATIONS**

Sigridur Benediktsdottir

Tuesdays, 1:30-3:20

This course focuses on financial crisis, risk management and banking regulations. The course will start with an overview of financial markets and banking. Financial markets instruments, with emphasis on new instruments, such as CDSs and CDOs and in particular how such instruments can both be beneficial and dangerous.

To further lay the groundwork for analyzing financial crises and regulations we will study theory of bank runs, lending of last resort, and moral hazard. Twin crises. In addition to the role of monetary authorities in preserving financial stability. Too big to fail. Too big to save.

History of financial crises with application to among others the Mexican financial crises of 1995, Asian crisis of 1998 and the Argentinean crisis of 2002. Last but not least the current crises, potential causes and how the crises are being handled. Looking further at specific cases such as the failure or near failure of Bear Sterns, Lehman and the Icelandic banks.

Banking regulations and banking crisis. Motivations for regulating financial institutions. Importance of international cooperation. Overview of prudential regulation, Basel Committee and Basel I, II. Banking regulation in emerging economies. Problems with current regulatory framework.

Financial Risk, the concept of financial risk and the distinction between endogenous and exogenous risk. The problem of relying on statistical risk models for risk management, economic capital and finance regulation. Focusing on capital regulations for financial institutions, and liquidity regulations. Endogenous nature of liquidity and how lack of liquidity can cause systemic crisis. Finally specific risk evaluation methods such as Value at Risk models and stress testing.

The course will follow two books, one which focuses on financial systems and financial crises. The second book looks in depth at prudential banking supervision, reason we need it and how it is performed.

In addition to the books there will be at least one journal article per week.

The nature of the course is a seminar based on readings about a particular issue as seen above. The purpose is to develop an understanding of international financial markets and on how contagion from one market can affect the market as a whole. The importance of financial supervision and regulation will be underlined using the current financial crises and other historical crises.

Each student (or pairs of students if there are too many) will have to sum up an article for the rest of the class and give a 10 minute talk on the main findings of it, once during the semester

**Econ 455b    INFORMATION ECONOMY**

Judith Chevalier

Wednesdays, 3:30-5:20

This seminar will focus on topics in the economics of information and communication. We will begin by reviewing the basic economics of networks, standards, and compatibility. Then, we will examine the communications infrastructure-telephone, broadband, and wireless communications, discussing the regulation and adoption of these technologies. We will look at international differences in infrastructure and regulation. We will examine the radio and television broadcasting industries, how they are regulated, and how they compete with new business models. We will also review research on how new communications technologies can affect the



**Econ 462b/EPE 228**

**THE ECONOMICS OF HUMAN CAPITAL  
IN LATIN AMERICA**

Douglas McKee

Thursdays, 1:30-3:20

This course provides an overview of issues related to human capital in Latin America. Specific topics include determinants of health and education, evaluation of human capital development policies, and the role of human capital in a variety of economic contexts including the labor market, immigration, child investment, intra-household bargaining, inequality, and poverty.

Economists have long understood the importance of physical capital in explaining the development process, but more recently we have also studied the role of a society's human capital, as embodied by its people's education, skills, and health. We now know that increasing human capital is one of the most effective ways to stimulate economic growth and reduce poverty in the long term. In this class we will examine the determinants of human capital, the costs and benefits of policies designed to increase human capital, and the function of human capital in a variety of economic contexts including the labor market, immigration, child investment, intra-household bargaining, inequality, and even the drug trade. We will focus our analysis on Latin America, a diverse and growing region that has been on the forefront of implementing policies to improve human capital. These range from programs that pay parents to keep their children in school to universal health care and school vouchers. The course will emphasize reading articles from the empirical economics literature and in depth discussion of their theories, methods, and results.

*Prerequisite: Intermediate Microeconomics and Econometrics*

**Econ 471b TOPICS IN COOPERATIVE GAME THEORY**

Pradeep Dubay

Thursdays, 2:30-4:20

The course will explore various topics in Cooperative Game Theory with applications to fair division, cost allocation and matching. Topics include : one-sided matching (e.g., the market for kidney exchange), and two-sided matching (e.g, the National Resident Intern Matching Program), with emphasis on incentive compatibility of the underlying mechanisms; core and Shapley value of side-payment games (special focus on market games, cost allocation, and measuring power in voting systems) ; convex games and the centrality of the Shapley value in the core (canonical example being games on networks); the convergence of core and value to competitive equilibria in large markets. It will also cover the extension of core and value to games without side-payments , starting with the Nash Bargaining solution with fixed, and variable, threats; and ,time permitting, the convergence phenomenon in perfectly competitive markets.

There is no text book. Lecture notes will be posted and articles handed out. There will be homework approximately every 2 weeks . Each student will be required to give

one lecture of about an hour on a topic (from the above list) assigned by --- and discussed with --- the professor; and to write it up by way of lecture notes.

*Prerequisite: Intermediate Microeconomics*

**Econ 474b/  
GLBL312B/  
INTS258/  
EAST454**

**ECONOMIC POLICY LESSONS FROM JAPAN**

Stephen Roach

Mondays, 1:30-3:20

Japan is now heading into what could arguably be its third “lost decade.” At the same time, there is good reason to fear the spreading of similar outcomes elsewhere in the world. A protracted post-crisis shakeout in America, together with a massive overhang of sovereign indebtedness in Europe, underscores precisely these concerns. Similarly, export-led developing economies may be vulnerable to lasting post-crisis aftershocks in the developed world. This course will probe the differences between the Japan syndrome and risks of comparable outcomes in other major economies in the world, with an aim toward unmasking policy remedies that might arrest this virulent contagion.

The course will have primarily an economics focus – although we will also delve into the political, socio-cultural, and policy considerations that lie behind bubbles and their aftershocks.

*Prerequisite: A basic undergraduate course in macroeconomics (Econ 111b, 116a, or 116b).*

**Econ 475b DISCRIMINATION IN LAW: THEORY AND PRACTICE**

Gerald Jaynes

Tuesdays, 2:30-4:30

This seminar seeks to sharpen students' research, writing, and oral presentation skills through examination of several related questions:

- How do law and economic theory define and conceptualize economic discrimination.
- How adequately does the behavior of discriminators implied by economic models describe behaviors documented in court cases and government hearings?
- To what extent do economic theory and econometric techniques aid our understanding of marketplace discrimination in actual practice?

**Topics include:** Racial, ethnic, and gender discrimination in labor markets, housing markets, education, and financial services such as mortgage lending and insurance redlining. Demographic groups covered in the case material include Asian-, African-, Hispanic-, and Native Americans. Reading materials are drawn from written court opinions, congressional hearings, and academic literatures including economics, law, history, African American Studies, Ethnic Studies, and Gender Studies.

**Assignments & Grades:** Students' grades will be based on three criteria:

1. A term paper of 10 to 15 pages due at the end of the semester reading period
2. Each student (*once during the semester and likely teaming with another student*), will (following instructor's remarks) open a general discussion of that week's assignments; student's opening remarks will be based on a written two page critique of week's assignment with a set of written questions student will use to lead the general discussion during that class session, written critique and questions to be turned in to the professor at beginning of class;
3. Attendance and participation in seminar discussions throughout the semester. The final paper will account for 50% of the course grade, each of the other factors 25%.

*Prerequisites: 1. Economics 115 or equivalent; 2. any 200 level course or higher in any of following: Economics, African American studies, Ethnicity, Race, & Migration, Women's, Gender & Sexuality Studies*

**Econ 478b**

**BOUNDED RATIONALITY**

Karen Rozen

Wednesdays, 9:25 – 11:15

Standard economic theory assumes that decision-makers have unlimited ability to reason and remember; that they can calculate with perfect precision; and that they are unaffected by the context or framing of a decision problem. These assumptions, which are both normative ideals and technically convenient, have been debunked by the experimental literature. Theorists are now looking for ways that these assumptions can be relaxed and still yield tractable, insightful economic models. This course explores some of the advances that literature has made. We will begin by understand what it means, in the language of economists, to be rational, and the ways in which people have been found to violate rationality. Next, we will study some simple and general approaches that have been successful in modeling bounded rationality, under which individuals take a procedural approach to decision-making. Finally, we will examine how particular deviations from rationality (such as complexity constraints, framing effects, limited memory, and inconsistencies in preference) have been modeled in the literature, and how these deviations from rationality impact markets.

The course will begin with a more lecture-based format. There will be growing student participation through the term, by way of presentations of the existing literature. The course grade will depend on participation, the quality of these presentations, and the

quality of the written work, which will consist of a critical evaluation of a paper in the literature (a “referee report”) and one short paper surveying the literature on a topic of interest chosen by each student. The course will have two main books, “Modeling Bounded Rationality” by Ariel Rubinstein, and “Bounded Rationality and Industrial Organization” by Rani Spiegler, but will also rely on individual articles relevant to the topics at hand.

*Prerequisites: Participants should feel comfortable with mathematical arguments and should have already taken intermediate microeconomics (ECON 121 or 125).*

## **LAW SCHOOL 21692-01 LEGAL AND ECONOMIC ANALYSIS OF CONTRACTS**

Richard Brooks

Time: TBA

Parties engaging in economic exchange often organize their relationships through written contracts. This course will study the design of these contracts and the body of law that governs and influences their economic efficiency. The conventional economic literature on contract theory focuses on the implementation of incentives schemes conceived from scratch that provide efficient solutions to contracting problems. The law & economics literature, on the other hand, takes institutions as given and asks how they facilitate efficient trade (e.g. by showing how standard breach remedies of contract law interact with simple contracts to provide efficient mechanisms in economically relevant situations). This seminar is situated at the intersection of those two literatures. It takes institutions of contract law seriously, while acknowledging the importance of careful modeling exemplified in the economic literature on contracting, particularly with respect to informational assumptions. The main subject of the course will be to study contractual solutions to the hold-up problem. Starting from seminal articles in the bilateral trade literature and the literature on breach remedies, the course introduces students to the most recent developments of the field using a uniform notional apparatus.

- The first two meetings of the course in January will be scheduled on the Yale College time pattern on Tuesday mornings, and only Yale College students will be expected to attend. The class will need to be held in a Yale College classroom for those two weeks.
- Beginning the week of January 23, when the Law School spring term begins, the class will shift to the Law School meeting pattern, Tuesday, 10:10-12, and will meet in a Law School classroom which I will assign; all Law and non-Law students in the course will meet on this schedule for the remainder of the spring term.
- In order to accommodate undergraduates, a makeup class will be arranged during February, on a day and a time mutually agreeable to all students formally enrolled in the class, in order to be able to suspend the class meeting during the first week

of the Yale College spring break in March (the second week of the Yale College break is also the week of the Law School spring break).

- In order to ensure that grades for undergraduates can be submitted in a timely manner, undergraduates will be required to complete all course requirements one or two weeks before the end of Law School scheduled classes.

*Prerequisite: Basic Calculus, Intermediate Microeconomics or permission of instructors*

**Econ 482b**

**LABOR AND PUBLIC POLICY**

Melissa Tartari

Tuesdays 9:25 - 11:15

This class focuses on labor supply and public policy. It will provide an understanding of how individuals choose whether to participate in the labor market (whether and how much to work) and how such decision is affected by market prices and public policies such as public assistance programs (welfare), taxation, and public insurance (unemployment, worker compensation, disability, health, and old-age). The course has a strong empirical cut and places a strong emphasis on past and present labor-related public policy interventions. Applications considered are the Negative Income Tax experiments of the 70's, the welfare experiments of the 90's and the 1996 reform, the earned income tax credit expansion of the 90's, the tax reform of the 80's, and the recent Medicaid expansion.

The theory and the application parts of the course will be mixed and matched. Students are expected to actively participate in class and to present a small collection of journal articles assigned by the instructor. Students are encouraged to carry out an empirical project in connection with the paper due for this class in which case students are assumed to know the statistical software STATA for the purpose of simple data manipulation and statistical analysis. Alternatively, students are asked to write a critical review of the literature concerning a specific public policy and its effects on labor supply.

*Prerequisite: All students should have taken Introductory Econometrics even those who choose to write a non-empirical paper.*