

Debates on Macroeconomic Policy Reforms

15.015
2024 Syllabus
H3

Alexis de Tocqueville said: “The greatness of America lies not in being more enlightened than any other nation, but rather in her ability to repair her faults.” It seems, at least lately, that the ability of the US to “repair itself” is becoming increasingly rare – at least that is my perception. This course is devoted to finding difficult problems in the American economy and society, and to offering solutions and alternatives.

The US grapples with a variety of contentious topics, often discussed in a very polarized environment:

1. **Economic Inequality:** Disparities in wealth and income between the rich and poor are often significant issues. Debates revolve around taxation policies, social safety nets, and wealth distribution.
2. **Healthcare:** Access to healthcare, its quality, and affordability are hotly debated topics. Universal healthcare, private vs. public healthcare, and pharmaceutical pricing are often at the center of discussions.
3. **Climate Change:** Climate change policies, environmental conservation, and transitioning to renewable energy sources are contentious issues, especially considering the balance between economic growth and environmental sustainability.
4. **Immigration:** Developed nations often face debates over immigration policies, border control, refugee acceptance, and the integration of immigrants into society.
5. **Education:** Education funding, curriculum standards, access to quality education, and the role of technology in schools are common points of contention.
6. **Social Justice:** Issues related to racial, gender, and LGBTQ+ equality are ongoing concerns. Police brutality, affirmative action, and LGBTQ+ rights are topics of intense debate.
7. **Gun Control:** Regulations surrounding gun ownership, especially in countries like the United States, are deeply divisive.
8. **Nationalism vs. Globalism:** The balance between national sovereignty and international cooperation, as seen in debates over trade agreements, global organizations, and immigration policies.
9. **Privacy and Surveillance:** Balancing national security needs with individuals' right to privacy in the digital age is a significant concern.
10. **Aging Population:** Developed nations often face challenges related to an aging population, including healthcare for the elderly, pension systems, and workforce implications.
11. **Mental Health:** Recognition, treatment, and support for mental health issues are increasingly being discussed, including reducing stigma and improving access to mental health services.
12. **Criminal Justice Reform:** Issues such as mass incarceration, sentencing disparities, and police reform.
13. **Technological Unemployment:** Concerns about automation and artificial intelligence leading to job displacement and economic instability are on the rise.
14. **Health Crisis Management:** How nations respond to health crises, as evidenced by the COVID-19 pandemic, involves debates over public health measures, vaccine distribution, and individual freedoms.

These topics often intersect and can be influenced by cultural, historical, and political factors. Public opinion, government policies, and societal attitudes continue to shape the discussions and outcomes related to these challenges. In the US, these issues are usually discussed in a very polarized political environment, with massive doses of ideology. It will be difficult to solve them without exploring some creative avenues.

I have picked 5 topics from this list and narrowed them even further. Our purpose is to learn about the topic and then discuss exploring those creative alternatives. And more importantly, trying to define what the priorities and

principles should govern such solutions. Of course, we will need to propose governmental interventions to support the proposals. We need to adopt an operational principle for the proposals. It is a massive assumption, but we need one to be able to move forward in the discussions. We will assume that if the proposals are broadly acceptable to the society (deal with unintended consequences), and are fiscally responsible, they will be approved.

Orders of Debates:

2/7/24	W	Presentation and Voting on all Debates
2/14/24	W	Public Provision of Child Care
2/21/24	W	Labor Rights and the Gig Economy
2/28/24	W	Refugees in NY
3/6/24	W	Global Supply Chain and the Decarbonization of the World
3/13/24	W	ESG and Financial Sector

Grading

Grading depends on our evaluation of the topic slides (3 topics, 20% each = 60%), participation during the debates (5 debates, 5% each = 25%), and the winner points (3 topics, 5% each = 15%). So, the grade depends on the presentation, your participation during the debate and discussion, and whether or not your position won the debate. The most important part of your grade are the slides - so you need to be thorough.

Contact Information

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Communication

Please, use emails! And very important, in the subject please put 15015. I receive hundreds of emails a day and I have a special filter in the email when I deal with this course. This will maximize the likelihood that I read your email!

Class:

The dynamic of the course is the following. We meet only once a week for three hours.

1. First Class
 - a. We will assign people to topics
 - b. The objective is that every person participates in the presentation of three topics
2. Every class has the following steps.
 - a. We start by summarizing and presenting the issue in detail
 - b. Discuss the basic economics behind the problem
 - c. Q&A from the rest of the group
 - d. Have dinner and divide ourselves in groups. Discuss priorities, and some possible solutions
 - e. Group discussion about the subject and further discussion of economic issues if necessary
3. DEBATES: From the 2nd class until the 6th class
 - a. TEAM ROLES: teams can have one of two possible roles: either they are debating, or they are spectators (which we will call pivotal voters).
 - b. Phase 1: DEBATE
 - i. Every team will be randomly chosen and needs to make a 2 minutes presentation of their proposal. Every team will present. This part of the presentation is without slides.
 - ii. From those speeches I will choose a couple of teams to present the longer presentations where the slides are included. You will have 10-15 minutes each.
 - iii. Discussion: Teams can ask each other questions, they can argue positions, etc. The pivotal voters can ask as well. And I will be asking questions.
 - iv. I expect that we will be arguing for about 60-75 minutes. You can present new slides whenever you want to make a point, but only a few slides given the time allocated.
 - c. Phase 2: VOTING AND WINNER
 - i. Who wins the debate? The spectator/pivotal voters are the ones that will decide which proposal they believe is the best one.
 - ii. What “best” means? Both that addresses the problem (or part of the problem) and it is likely to be implemented.
 - d. Phase 3: General Discussion
 - i. After the vote, we open for questions from everybody, from that moment until the end of the class all discussions will not affect grading so people can perfectly contradict themselves. No problem with faking a position while debating, and it would really be appreciated if honesty dominates the discussion afterwards.
 - ii. I will try to ask questions pertinent to the discussion. Of course, I will provide my opinion about what would I consider should be done, how will I address it, and hopefully you tell me that I am totally wrong.

Description of the topics can be found below. Including the readings from The Economist. You have access to The Economist through MIT by logging in with your MIT email!!!

Topics:

Debate Topics	Tittle	Prompt and Question
1	Public Provision of Child Care	<p>Childcare is extraordinarily expensive in the US. Many families use the income of one of the parents just to pay for the education of their kids. This exacerbates inequality and proliferates poverty traps. The public sector could provide the education publicly, but in order to do so it needs to have a balanced budget proposal. Financing the education of kids with a deficit is not financially sustainable.</p> <p>Debate: Evaluate the child care public provision in Massachusetts and offer a fiscally balanced program</p> <p>Reading: Economist: https://www.economist.com/finance-and-economics/2021/09/18/how-america-should-spend-on-child-care Economist: https://www.economist.com/graphic-detail/2021/07/01/which-countries-have-the-most-generous-child-care-policies</p>

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Labor Rights and the Gig Economy

The gig economy has revolutionized labor markets. By partitioning the workday in small pieces, and by allocating tasks to those individuals with the highest ability to perform those tasks, great efficiency gains are likely to be produced. UBER after all, is a taxi service, where the call and payment systems have been simplified, but where the most important source of gain is from the fact that an idle car, and an idle individual suddenly can be used to produce a service. By construction, that is infinite productivity gain.

Furthermore, the gig economy offers a way to produce additional income to those households that find it difficult to insure their sources and allows for work flexibility that is rarely obtained in formal full time jobs.

The service is also beneficial to consumers. Prices of services drop very fast. The reason why this service can be so cheap has two sources: one is the fact that technology puts together a car, a driver, and a passenger - but that is a very small part. The greatest aspect is the massive labor flexibility that the gig-economy provides.

From all the benefits the gig economy provides, however, the partitioning of work has had some negative consequences in labor standards. There is no health care protection, no retirement savings, no predictable schedule, etc. Some gig-firms offer these benefits, but it is mostly on a voluntary participation. For this debate we will concentrate in the US. One important fact of the US is that our social safety net is closely intertwined to our jobs.

Debate:

Evaluate the transportation and delivery industry in the US (Lift, Uber, Doordash) from the perspective of the worker.

Reading:

Economist: <https://www.economist.com/leaders/2018/10/06/how-governments-should-deal-with-the-rise-of-the-gig-economy>

Economist: s

3	Refugees in NY	<p>The refugee crisis in the US is becoming unsustainable. The fact that different cities and states have different legal frameworks makes the situation even more complicated. The governor of Texas has been bussing immigrants seeking asylum to Chicago, DC, Philadelphia and NY. The governor of Florida, hired transportation from Texas to Massachusetts! The crisis in these cities is so severe than now the democrat majors and governors are limiting access (in MA) or bussing out the immigrants (NY City). These cities are supposed to be sanctuaries for immigration, but clearly by their actions they have lost the status. Legal action has started in MA to deal with the limiting access to immigrants by Boston mayor. Let us concentrate this debate in a single region (NY).</p> <p>Debate: Offer a change in the system in such a way the refugee crisis in NY could be ameliorated.</p> <p>Reading: Economist: https://www.economist.com/united-states/2023/05/18/it-turns-out-that-democrats-bus-migrants-too</p>
4	Global Supply Chain and the Decarbonization of the World	<p>The future of decarbonization is mining intensive. There is no way we are going to electrify the world, without increasing mining activity by at least an order of magnitude. But mining is a very dirty activity. It produces massive pollution, and also produces harm to many local communities. Therefore, not surprisingly, what has been happening is that European and almost all developed nations have been moving away from this industrial activity. This has implied that other countries - such as Brazil, China and Russia - have become the miners and the places where the processing takes place. Right now most of the processing capacity is in China. The global supply chain for these items is extremely efficient - meaning that it is economically very efficient, but the dependency of world production on one country with whom developed nations are having more and more political problems seems like a risky strategy. For our discussion we will concentrate exclusively on electric batteries, so lithium, nickel, cobalt, aluminum, etc.</p> <p>Debate: Evaluate the global supply chain for both mining and processing of such materials (and even the manufacturing of batteries), taking into account the global political situation.</p> <p>Reading: Economist: https://www.economist.com/asia/2023/06/20/can-australia-break-chinas-monopoly-on-critical-minerals Economist: https://www.economist.com/finance-and-economics/2023/07/13/china-controls-the-supply-of-crucial-war-minerals Economist: https://www.economist.com/business/2023/01/12/german-companies-fret-about-a-new-supply-chain-law</p>

5	ESG and Financial Sector	<p>There is a massive backlash against ESG. There are many debates that are still open questions: divesting versus engagement? Standardization versus discrepancy? Is ESG good or bad for stock returns? etc. One of the most important points against ESG use by asset owners (such as pension funds, and insurance companies) is the fact that ESG collides with the fiduciary responsibility to maximize returns of the institution. Indeed, there are periods of time in which ESG portfolios have outpaced the benchmark, but there are others in which it has experienced returns below the benchmark.</p> <p>Most economists will argue that in the long run it is unambiguously good for the society to reduce negative externalities. Sometimes those social benefits might not be transformed in private benefits, but there is no doubt (the two welfare theorems in economics) that reducing a harmful activity (such as emitting CO2) is good for the whole.</p> <p>Debate: How to change regulation of financial institutions such that investors interested in including ESG considerations into their financial decisions can do that without violation of the law? Assume that some of the investors want to include ESG factors in their 401k accounts, but others do not want to include them.</p> <p>Reading: Economist: https://www.economist.com/finance-and-economics/2021/09/04/sustainable-investing-faces-the-beginnings-of-a-backlash</p>
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