

## **Financing Democracy: Problems and Proposals**

This course investigates a selection of current social problems, chosen in order to illuminate the current state of the ever-uneasy relationship between finance and democracy, between the money interest and the public interest. As always, developments in finance offer both opportunity and challenge for democratic political forms. As always, the challenge is much more immediately apparent than the opportunity, which requires more digging.

**Format:** The course will be run as a lecture-seminar hybrid, with a typical week involving a lecture on Monday and student presentations on Wednesday, both of which will involve also classroom discussion.

**Grading:** Two presentations will each be worth 25% of the final grade. The remaining 50% will come from a 10-15 page paper on an approved topic.

**Prerequisites:** Intermediate Microeconomics and Intermediate Macroeconomics. It will be helpful, but not essential, if students also have some background in either money or finance, with practical experience (such as an internship) or coursework (such as Economics of Money and Banking, or Economics of Finance).

**Limited Enrollment:** To facilitate discussion, enrollment will be limited to 25.

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## Class Outline

### Jan 17 Introduction

Bernanke, Benjamin (2006) “The Coming Demographic Transition: Will We Treat Future Generations Fairly?”:

[www.federalreserve.gov/boardDocs/speeches/2006/20061004/default.htm](http://www.federalreserve.gov/boardDocs/speeches/2006/20061004/default.htm)

### Jan 22-24 Demography

Macunovich, Diane J. Birth Quake: The Baby Boom and its aftershocks (Chicago 2002)

Kotlikoff, Laurence J. and Scott Burns. The Coming Generational Storm: What you need to know about America’s Economic Future (MIT 2004)

Haveman, Robert. “Should Generational Accounts Replace Public Budgets and Deficits?” Journal of Economic Perspectives 8 No. 1 (Winter 1994)

### Jan 29-31 Economics

“The Future of Life-Cycle Saving and Investing”:

<http://smg.bu.edu/exec/elc/lifecycle/agenda.shtml>

### Feb 5-7 Finance

Shiller, Robert J. The New Financial Order: Risk in the 21<sup>st</sup> Century (Princeton 2003)

Hacker, Jacob. The Great Risk Shift: the Assault on American Jobs, Families, Health Care, and Retirement (Oxford 2006)

Mehrling, Perry. “What Would Fischer Say?” Financial Engineering News (Nov/Dec 2005)

### Feb 12-14 Social Security: Origins

Altman, Nancy J. The Battle for Social Security: From FDR’s Vision to Bush’s Gamble (Wiley 2005)

Berkowitz, Edward D. Robert Ball and the Politics of Social Security (University of Wisconsin 2003)

**Feb 19-21 Social Security I**

Diamond, Peter and Peter Orszag. Saving Social Security: A Balanced Approach (Brookings 2005)

Trustees Report 2006: [www.ssa.gov/OACT/TR/TR06/tr06.pdf](http://www.ssa.gov/OACT/TR/TR06/tr06.pdf)

Mehrling, Perry. "The Social Mutual Fund: A Proposal for Social Security Reform"  
Mimeo, March 1998.

**Feb 26-28 Social Security II**

Tanner, Michael. Social Security and its Discontents: Perspectives on Choice (Cato 2004)

Modigliani, Franco and Arun Muraldihar. Rethinking Pension Reform (Cambridge 2005)

Hiltzik, Michael A. The Plot Against Social Security: How the Bush Plan is endangering our financial future (Harper Collins 2005)

**Mar 5-7 Health Care: Origins**

Richmond, Julius and Rashi Fein. The Health Care Mess: How we got into it and what it will take to get out (Harvard 2005)

Quadagno, Jill. One Nation Uninsured: Why the U.S. Has no National Health Insurance (Oxford 2005)

Trustees Report 2006:  
[www.cms.hhs.gov/ReportsTrustFunds/downloads/tr2006.pdf](http://www.cms.hhs.gov/ReportsTrustFunds/downloads/tr2006.pdf)

**Spring Break**

**Mar 19-21 Health Care I**

Derickson, Alan. Health Security for all: Dreams of Universal Health Care in America (Johns Hopkins 2005)

LeBow, Robert H. Health Care Meltdown: Confronting the Myths and Fixing our Failing System (Hood 2002)

**Mar 26-28 Health Care II**

Cogan, John F., R. Glenn Hubbard, and Daniel P. Kessler. Healthy, Wealthy, and Wise: Five Steps to a Better Health Care System (AEI 2005)

Porter, Michael E. and Elizabeth Olmsted Teisberg. Redefining Health Care: Creating Value-Based Competition on Results (Harvard Business School 2006)

**Apr 2-4 Corporate Governance: Origins**

Skeel, David A. Icarus in the Boardroom: The fundamental flaws in corporate America and where they came from (Oxford 2005)

Milstein, Ira. The Recurrent Crisis in Corporate Governance (Stanford 2004)

Seligman, Joel. The Transformation of Wall Street: A History of the Securities and Exchange Commission and Modern Corporate Finance (Aspen 2003)

**Apr 9-11 Executive Compensation**

Bebchuk, Lucian and Jesse Fried. Pay Without Performance: the Unfulfilled Promise of Executive Compensation (Harvard 2004)

**Apr 16-18 The US as a Model**

Rajan, Raghuram and Luigi Zingales. Saving Capitalism from the Capitalists: Unleashing the power of capital markets to create wealth and spread opportunity (Princeton 2004)

Mishkin, Frederic S. The Next Great Globalization: How disadvantaged nations can harness their financial systems to get rich (Princeton 2006)

Ellerman, David. Helping People Help Themselves: from the World Bank to an alternative philosophy of development assistance (Univ of Michigan 2006)

**Apr 23-25 Student Papers**

**Apr 30 Student Papers**