PPPA 6014 (Sections 10 and 11)  
ECONOMICS IN POLICY ANALYSIS  
Spring, 2015

PPPA 6014.10 (CRN 43836) Tuesday, 3:30-5:30 Duques 360  
PPPA 6014.11 (CRN 44223) Wednesday, 6:10-8:00 Phillips 348

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Office hours: Tuesday 2:00-3:00 PM  
Wednesday 4:00-5:00 PM  
and by appointment

Teaching Assistant: Melissa McShea (see Blackboard Announcements for office hours)

Prerequisites

Students in this course should have completed either Prof. Brooks’ PPPA 6085 or Economics 6217 or a comparable course in intermediate microeconomic theory. PPPA 6003 (the MPA economics course) is an acceptable prerequisite course, but it does not develop the technical detail and problem practice that Econ 6217 does. Students with PPPA 6003 as their economic background should expect to work extra problems and carefully develop their knowledge of the portions of the textbook marked as review. Students with limited background in economics may find it useful to work some or all of Prof. Brooks’ PPPA 6085 problems. Assignments for that course are available at http://home.gwu.edu/~lfbrooks/leahweb/teaching/pppa6007/pppa6007.html. Some students have also found it useful to explore the MIT Principles of Microeconomics course available on MIT's open courseware (see http://ocw.mit.edu/courses/economics/14-01sc-principles-of-microeconomics-fall-2011/). While that course is designed as a “principles” rather than an “intermediate theory” course, it covers the relevant material in considerable detail and contains video lectures for the primary course material and for working out sample problems. Because that course is designed for MIT students, it uses more math than is required for this course.

All students should take the “Initial Assessment” test found in the “Testing” section of the Blackboard site for this course as soon as feasible and preferably before the first class session. Your score on this test does not count toward your grade, but you should take it seriously and review the relevant material in your textbook or previous course notes as necessary while you take the test. You should use your results to guide your efforts in the early part of the course. If you score less than 50 percent, you probably don't belong in this course and you should either drop the course or discuss with me why you think you will be able to successfully complete the course. If you score
between 50 and 75 percent, you should plan on exerting extra effort on the review section at the beginning of this course in order to prepare yourself for the more complex material later in the course. If you score 75 percent or above, you should be adequately prepared for this course.

This course does not require calculus but it does require a good understanding of algebraic manipulation at the level typically taught to college bound students in U.S. high schools. While students in this course have almost always been taught the relevant mathematical skills, those who have not used those skills in recent years may need some review to avoid making mathematical errors when working out the answers to economics problems. If you need to refresh your math skills, you should obtain a textbook for a college algebra or precalculus mathematics course or use online materials and courseware to improve your math skills early in the semester.

Learning Objectives

This course is designed to develop your ability to use economic concepts to analyze and evaluate the effects of public policy. This course will review and further develop concepts that you have already encountered in your earlier microeconomic theory course in addition to introducing new concepts and providing a variety of policy applications. As a result of taking the course students should master three learning objectives:

1. Reinforce and extend previous knowledge of the basic tools and concepts of intermediate microeconomic analysis and welfare economics;
2. Learn how to use the formal economic journal literature to research and understand the economic issues of selected public policies;
3. Learn how to write an economic analysis of a particular public policy.

Required Textbook (Choice of one)


Recommended Second Textbook


Optional Supplementary Book


Note on Readings:
You should choose either the Pindyck and Rubinfeld textbook (abbreviated as P&R in the assignments) OR the Goolsbee, Levitt, and Syverson (abbreviated as GLS in the assignments) textbook. Both books cover substantially the same material and if you already have one of them from your previous microeconomic theory course there is no need to purchase the other one. I have assigned the current 8th edition of the P&R book but you are also welcome to use the 2009 7th edition which you may find more easily available and/or cheaper if you are purchasing a used book. In the rare cases in which section numbering has changed between the editions, I have included the relevant 7th edition numbering in the assignments below. Both books contain substantially more material than can be reasonably mastered in a one-semester course. In this course, you will carefully read sections of the book that you probably did not cover in detail (if at all) in your earlier course and will also review chapters that cover topics that I assume you have studied earlier. This course is not closely tied to the textbook and if you have a different intermediate microeconomic theory textbook you are welcome to use that as a substitute but you are responsible for finding the relevant sections that correspond to the textbook assignments.

The (recommended, not required) Weimer and Vining (abbreviated as WV in the assignments) is a very useful supplement that emphasizes the use of economics in policy analysis. I have assigned the current 5th edition, but you are welcome to use an older edition if you have one available. There are only minor changes between the 4th edition of 2005 and the 5th edition of 2011. The Weimer and Vining discussion is clear and directly related to policy analysis, but does not provide the level of technical detail that is needed in this course. You may find it useful to read the Weimer and Vining sections as an introduction to the more detailed treatment in the textbook and to introduce some policy applications of the material.

The optional Klein and Bauman cartoon book is an easy but accurate introduction to microeconomic concepts. No one is required to purchase or read this book, but its cartoon perspective (including characters who propose typical errors in economic reasoning) may help you understand key concepts that sometimes get lost in the technical detail of typical microeconomic theory courses.

Much of the required reading for this course is in the form of journal articles. Required readings that are not included in the textbook will be made available through Blackboard. I will also use Blackboard to communicate with the class. Each student must have a gwu.edu e-mail address because Blackboard only recognizes those addresses.

Course Requirements and Grading

I am trying to develop two distinct types of skill in this course: (1) skill in using economic tools to derive precise answers to clearly defined problems; (2) skill in applying economic reasoning to illuminate poorly defined or complex policy problems. The development of both skills requires extensive practice. The first skill will be developed through problems that require you to work out specific answers to precisely defined problems. I will assign four problem sets that everyone should complete and additional problems as necessary for those who need more practice. The problem sets will not be collected or graded, but each of the four required problems sets will be
followed by a quiz (to be taken online through Blackboard) that is closely related to the problem set. The quizzes are designed so that you can get the correct answers easily if you have carefully worked out the answers to the problem set but they may appear difficult if you have ignored the problem set. On quiz weeks, the quiz will be made available at noon on Thursday and is due at noon on Monday. You may choose any two hour window within that period to complete your quiz. The Monday noon due date is a hard deadline and you will not have an opportunity to take the quiz late. I encourage you to work together in groups to develop answers to the problem sets, but the quizzes based on those problem sets must be taken individually. Students who have limited background in economics will need more practice on problems than is provided by the problem sets that I assign to the whole class. There are many additional problems in the textbook and you should be sure that you get adequate practice to master the material. Your ability to derive precise answers to clearly defined problems will be evaluated by the four quizzes based on the problem sets and by an exam. The quizzes and exam will be open book, but must be completed individually without collaboration with others.

The second skill requires analysis and synthesis of diffuse and sometimes contradictory material and is best developed and evaluated through reading journal articles and researching and writing your own analysis. An important part of this course is developing skill in using the formal economic literature. Each student will present an introduction to one of the assigned journal articles to the class and will prepare a written analysis of it. The oral introduction will normally include the key points of the article, some evaluation of how well supported those points are, and some comments on how the insights provided in the article could be used in a policy analysis. You should also prepare a two to three page (double spaced, 12 point type) written analysis of the article covering the same issues that you choose for your oral presentation. Your ability to apply economic reasoning to illuminate policy problems will be evaluated by the preparation a paper. The paper should be approximately ten pages long (double spaced, 12 point type) and is due on the first day of the final exam period. Although the paper is primarily planned as an individual project, two students may choose to work together to produce a longer more sophisticated joint paper. See the separate paper description for more details on my expectations regarding the paper.

Course grades will be composed by dropping your lowest quiz grade and weighting the other three at 5% each for a total of 15%, the exam at 35%, your written analysis and class presentation of your journal article at 10% (5% for the presentation to the class and 5% for the written analysis of the article), and the paper at 40%.

This class will be a mixture of lecture, discussion, and interactive exercises. It is important that you attend all classes, arrive on time, and read the assigned material before class so that you may contribute your insights to the class discussion and learn from the insights of other students. If you must miss a class, you should send me an email in advance of the class to let me know that you will be absent.

You are, of course, responsible for following GW’s Code of Academic Integrity and all other relevant policies and regulations of the university, CCAS, and the Trachtenberg School. Please note that the CCAS policy regarding the grade of incomplete is quite restrictive and that consequently I only assign a grade of “I” in exceptional circumstances. The appendix to this syllabus summarizes the policies that apply to all Trachtenberg School courses.
COURSE OUTLINE AND SCHEDULE

I expect to cover the same material in both sections each week and if you are unable to attend your section for a particular week you should attend the other section if that is feasible for you and if there is space available. You should send me an email if you want to attend a section other than the one for which you are registered. The schedule below is my current plan for the course. I may make minor modifications to the schedule or to assigned readings as the course proceeds. The only scheduled interruption to consecutive classes is the GW spring break, March 9-13. Occasionally severe weather causes an unplanned interruption in the schedule. If the weather makes class questionable, check the university status at the GW advisories web site (http://CampusAdvisories.gwu.edu/). You should also be signed up for the GW Alert system and that should provide you with a message if the university is closing. If severe weather makes the regular class session infeasible, I will plan to hold the class session online using Blackboard Collaborate.

   Anthony Atkinson, Thomas Piketty, and Emmanuel Saez, “Top Incomes in the Long Run of History,” Journal of Economic Literature, March 2011 [Sections 1-3.1, pp. 3-13 assigned; remainder of article (pp. 13-71) optional.]
   Optional: WV, Chapters 1 and 2.
   Complete the “Initial Assessment” in the Testing section of Blackboard.
   Complete the assignment “Student Information Form” in the Projects section of Blackboard.

Part I: Review of Neoclassical Microeconomic Theory

   Review P&R, chapters 1-4, 6, and 7 or GLS, chapters 1-7 with particular attention to elasticity, supply-demand equilibrium, price indices, production functions, and types of costs including private and social opportunity costs. [Mathematical appendices are not assigned but may be a simpler way of understanding the material for those with adequate mathematical background.]
   CBO, “Using a Different Measure of Inflation for Indexing Federal Programs and the Tax Code,” (Feb., 2010).

3. Jan. 27-28 – Competitive and Monopoly Equilibrium and Efficiency
   Review P&R, chapters 8, 9, 10.1-10.4, 11.1-11.4 or GLS, chapters 8, 9, 10.1-10.4
   Optional: WV, Chapter 4.
Part II: Decision Making with Bounded Rationality and Limited Information

4. Feb. 3-4 – Institutions to Facilitate Non-Optimizing Decisions
   Oliver Williamson, “Transaction Cost Economics: The Natural Progression,”
   AER June, 2010 (Nobel lecture).

   Quiz 1 due at noon on Monday, Feb. 9

5. Feb. 10-11 - Asymmetric Information and Insurance
   P&R, 5.1-5.5 (5.1-5.4 in 7th ed. plus new section 5.5 from 8th ed.) and 17.1-17.5
   or GLS 13.5 and 15.
   George Akerlof, "The Market for 'Lemons': Quality Uncertainty and the Market
   classic and mostly non-technical. You may skip over sections II.B and II.C if you
   find the math difficult.]
   Liran Einav and Amy Finkelstein, “Selection in Insurance Markets: Theory and

6. Feb. 17-18 – Health Insurance
   Medalist,” JEP Fall 2012.
   Mark Stabile and Sarah Thomson, “The Changing Role of Government in
   Financing Health Care: An International Perspective,” Journal of Economic
   Literature, June 2014, 480-518. [Focus your attention on sections 1, 2, 4, 7, and
   8.]

7. Feb. 24-25 – Behavioral Economics
   P&R, section 5.6 (5.5 in 7th ed.) or GLS 17.1-17.2.
   Andrei Shleifer, “Psychologists at the Gate: A Review of Daniel Kahneman's
   Thinking, Fast and Slow,” Journal of Economic Literature, December, 2012,
   1080-1091.
   James Cooper and William Kovacic, “Behavioral Economics: Implications for

   Quiz 2 due at noon on Monday, March 2

Part III: Rational and Behavioral Decision Making Over Time

8. March 3-4 – Private Decisions over Time
   Benartzi and Thaler: “Save More Tomorrow: Using Behavioral Economics to
   Christopher Avery and Sarah Turner, “Student Loans: Do College Students
   Borrow Too Much-Or Not Enough?” JEP Winter 2012.

March 9-13 – GW Spring Break – no class

9. March 17-18 – Public Decisions over Time

10. March 24-25 – Focus on Papers
Read the paper guidelines
Read at least three of the posted sample papers

Quiz 3 due at noon on Monday, March 30

Part IV: Policies for Externalities and Common Property Resources

11. March 31-April 1 – Externalities and Market-based Controls
Review P&R, chapter 18 or GLS, chapter 16.

Paper topic and description due Monday, April 6 (submit through Blackboard)

12. April 7-8 - Commons Management
M. Scott Taylor, “Buffalo Hunt: International Trade and the Virtual Extinction of the North American Bison,” AER Dec. 2011. [Parts of the Taylor article are quite technical. You should read the introduction along with sections I, V, and VI and consider the remainder of the article optional.]
Optional: Richard Hornbeck, “The Enduring Impact of the American Dust Bowl: Short- and Long-Run Adjustments to Environmental Catastrophe,” AER June,
2012.

Quiz 4 due at noon on Monday, April 13

13. April 14-15 – Global Warming
   Analysis, Nov. 2013, http://www.whitehouse.gov/sites/default/files/omb/assets/inforeg/technical-
   Robert Pindyck, “Climate change Policy: What Do the Models Tell Us?” Journal
   of Economics Literature, Sept. 2013, 860-872.

14. April 21-22 – Work on Exam – No class meeting

   EXAM DUE ON BLACKBOARD – Monday, April 27 at noon

   FINAL PAPER DUE – Monday, May 4 at noon (first day of exams)

APPENDIX: TRACHTENBERG SCHOOL CLASS POLICIES

1. Incompletes: A student must consult with the instructor to obtain a grade of I
   (incomplete) no later than the last day of classes in a semester. At that time, the
   student and instructor will both sign the CCAS contract for incompletes and submit a
   copy to the School Director.
   Please consult the TSPPPA Student Handbook or visit
   http://www.gwu.edu/~ccas/faculty/files/Incomplete_poli0.pdf for the complete CCAS
   policy on incompletes.

2. Submission of Written Work Products Outside of the Classroom: It is the responsibility
   of the student to ensure that an instructor receives each written assignment. Students
   can submit written work electronically only with the express permission of the
   instructor.

3. Submission of Written Work Products after Due Date: Policy on Late Work: All work
   must be turned in by the assigned due date in order to receive full credit for that
   assignment, unless an exception is expressly made by the instructor.

4. Academic Honesty: All examinations, papers, and other graded work products and
   assignments are to be completed in conformance with the George Washington
   University Code of Academic Integrity. (see http://www.gwu.edu/~ntegrity/code.html)
Note especially the definition of plagiarism: “intentionally representing the words, ideas, or sequence of ideas of another as one’s own in any academic exercise; failure to attribute any of the following: quotations, paraphrases, or borrowed information.”

5. Changing Grades After Completion of Course: No changes can be made in grades after the conclusion of the semester, other than in cases of clerical error.

6. The Syllabus: This syllabus is a guide to the course for the student. Sound educational practice requires flexibility and the instructor may therefore, at her/his discretion, revise content and requirements during the semester.

7. Accommodation for Students with Disabilities: In order to receive accommodations on the basis of disability, a student must give notice and provide proper documentation to the Office of Disability Support Services, Rome Hall 102, 202-994-8250. Accommodations will be made based upon the recommendations of the DSS Office.

8. University Counseling Center: The University Counseling Center (UCC), 202-994-5300, offers 24/7 assistance and referral to address students' personal, social, career, and study skills problems. Services for students include:
   - crisis and emergency mental health consultations
   - confidential assessment, counseling services (individual and small group), and referrals
   [http://gwired.gwu.edu/counsel/CounselingServices/AcademicSupportServices](http://gwired.gwu.edu/counsel/CounselingServices/AcademicSupportServices)