

Economics 219: Economics and Public Policy Issues

Georgetown University and The Fund for American Studies
Capital Semester, Spring 2010

Location: TFAS Classroom
1621 New Hampshire Ave, NW
Washington, DC 20009

Instructor: Brian Blase

Class Schedule: Tuesdays and Thursdays 6:30-7:45am
Office hours: Tuesdays before class and by appointment

Course objective: The general goals of the class are the following: (1) to understand the benefit of markets and how the 'invisible hand' aligns self-interested behavior with desired social outcomes, (2) to understand the implications of interference with the price mechanism (3) to understand situations where markets fail and rationales for government intervention to correct market failures and redistribute income, (4) to understand the impact of government on individuals and society, (5) to understand the public choice theory of government, and (6) to be able to use economic analysis to analyze public policy problems.

Prerequisites: Students have taken economics principles courses.

Required Texts:

Common Sense Economics (2005)
James Gwartney, Richard L. Stroup, and Dwight R. Lee

Free to Choose (1990)
Milton Friedman and Rose Friedman

The Economics of Public Issues – 16th edition (2010)
Roger LeRoy Miller, Daniel K. Benjamin, and Douglass C. North

Class Participation: Please contribute in class. It is okay to be wrong, and positive class participation can only boost your grade if you are on the verge of two different grades.

Components of your grade:

- I. Quizzes: 40% (Each one 4%. You will have 10 quizzes). Each quiz will take approximately 1-20 minutes of class time. They will be based on class lecture and readings.
- II. Final Quiz: 15%
- III. Problem Sets (There will be 3 assigned): 25%
- IV. Policy Paper (To be discussed about three of four weeks into the class): 15%
- IV. Class Participation: 5%

Honor Code: Students are expected to understand and adhere to the honor code of Georgetown University. Students may neither give nor receive help from other students or from other sources during exams or quizzes. Also students are obligated to report any violations observed.

Out of Class Activity: Included in your participation grade, students must attend a briefing at the **Federal Reserve** which will be organized and staffed by Lily Pascucci.

I. Foundations of Economic Analysis

Prep Session (Students must attend if they have not satisfied the prerequisite of the course and successfully completed two undergraduate economics courses)

Efficiency (January 21st)

Required Readings:

Landsburg: Why Prices are Good (Chapter 8)

Commonsense Economics pages 3-31 (Ten Key Elements of Economics)

Paul Heyne: Efficiency (<http://www.econlib.org/library/Enc/Efficiency.html>)

First Quiz – January 26th (Efficiency and Prep Session)

Resource Allocation (January 26th and 28th)

Required Readings:

Free to Choose – Chapter 1

Public Issues – Chapter 12 (The Effects of the Minimum Wage)

Public Issues – Chapter 10 (Bankrupt Landlords, from Sea to Shining Sea)

Public Issues – Chapter 15

Michael Munger – They Clapped: Can Price-Gouging Laws Prohibit Scarcity
(<http://www.econlib.org/library/Columns/y2007/Mungergouging.html>)

Tyler Cowen's blog post

- **"Why don't we see more price gouging?"**
- **"More on price gouging"**
- **"People hate flexible prices"**

Second Quiz – February 2nd (Resource Allocation)

Economic Growth and Disparity (February 2nd and 4th)

Required Readings:

Daron Acemoglu. What makes a nation rich? One economist's big answer.

(<http://www.esquire.com/features/best-and-brightest-2009/world-poverty-map-1209>)

Commonsense Economics pages 35-74

Public Issues – Chapter 4

Third Quiz – February 9th (Economic Growth and Disparity)

Cost-Benefit Analysis

Required Readings:

Hazlitt – The Lesson

Landsburg: Choosing Sides in the Drug War (Chapter 10)

Landsburg: The Policy Vice (Chapter 14)

Public Issues – Chapter 1

Public Issues – Chapter 3

Public Issues – Chapter 6

Public Issues – Chapter 26

Recommended Readings

Paul R. Portney. *Benefit-Cost Analysis*
(<http://www.econlib.org/library/Enc/BenefitCostAnalysis.html>)

Fourth Quiz – February 16th (Cost-Benefit Analysis)
Problem Set #1 due – February 18th

Labor Economics

Required Readings:
Free to Choose – Chapter 8
Public Issues – Chapter 11
Public Issues – Chapter 13

Consumer Economics

Required Readings:
Free to Choose – Chapter 7

Fifth Quiz – February 23rd (Labor Economics and Consumer Economics)

II. Government Intervention in the Economy – Market Failure and Redistribution

Market failure – 1st reason for government intervention

Required Readings:
Free to Choose – Chapter 4
Clifford Winston on market failure:
http://www.econtalk.org/archives/2009/12/winston_on_mark.html#

Recommended Readings:
Wikipedia's Market failure page: http://en.wikipedia.org/wiki/Market_failure

Sixth Quiz – March 2nd (Market failure)

Redistribution – 2nd reason for government

Required Readings:
Wikipedia's article on Rawl's 'A Theory of Justice'
http://en.wikipedia.org/wiki/A_Theory_of_Justice
Free to Choose – Chapter 5

Seventh Quiz – March 11th (Redistribution)

III. Taxes and Subsidies

Facts about Government Finance

Economic Impact of Taxes

Required Readings:
Landsburg: Why Taxes are Bad (Chapter 7)
Greg Mankiw: Remarks at the NBER Tax Policy and Economy Meeting (November 4, 2003)
Public Issues – Chapter 9

Eighth Quiz – March 23rd (Taxes)
Problem Set #2 due – March 25th

Economic Impact of Subsidies

Required Readings:
Public Issues – Chapter 23

Ninth Quiz – March 30th (Taxes and Subsidies)

IV. Political Economy and Public Choice

Required Readings:
Common Sense Economics – pages 77-119
Public Issues – Chapter 2
Public Issues – Chapter 19
Public Issues – Chapter 20
Public Issues – Chapter 21
Public Issues – Chapter 22

Tenth Quiz – April 15th (Political Economy and Public Choice)
Problem Set #3 due – April 15th
Policy paper due April 20th

V. Public versus Private Ownership

Required Readings:
Public Issues – Chapter 27
Public Issues – Chapter 28
Public Issues – Chapter 29

VI. Globalization, Trade, and Economic Prosperity

Required Readings:
Friedman Ch. 2
Landsburg Ch. 21
Public Issues – Chapter 30
Public Issues – Chapter 31
Public Issues – Chapter 32

Second policy paper due – April 27th
Final – April 27th (Public versus Private Ownership and Globalization and Economic Prosperity plus a few questions that cover whole course)