

# **SYLLABUS: ECONOMIC PROBLEMS AND PUBLIC POLICY**

## **ECON 309, SECTION 1 (FALL 2017)**

### **ADMINISTRATIVE DETAILS**

**TIME:** Tuesdays-Thursdays, 1:30-2:45 P.M.  
**PLACE:** Robinson B-208  
**INSTRUCTOR:** William (Bill) McNaught  
**EMAIL:** [wmcnaught1@verizon.net](mailto:wmcnaught1@verizon.net) (preferred) or wmcnaugh@gmu.edu  
**PHONE:** H: 703-777-3182 (preferred) or C: 703-209-2032

### **OBJECTIVE**

Students will learn: 1. *more about microeconomics*; 2. *how economics shapes the design of many public policies*; and 3. *how differences in values and philosophies shape government programs*.

### **MATERIALS**

#### **PRINCIPAL TEXT**

- [SR] Joseph Stiglitz and Jay Rosengard, *Economics of the Public Sector*, 4<sup>th</sup> Edition [students are encouraged to buy the textbook either new or used, perhaps even the 3<sup>rd</sup> edition and not rely on posted lecture notes]

#### **BLACKBOARD**

- [BW] W. Bennett and R. Wilezol, *Wall Street Journal*, Dec 28, 2014, "Best Value Schools, 2011," especially Figure 3.1
- [RB] R. Blank in C. M. Henry (ed), *Race, Poverty and Domestic Policy: "Fighting Poverty: Lessons From Recent U. S. History"*
- [JB] J. Buchanan, *Essays in Political Economy*: "The Public Choice Perspective"
- [TC] T. Cowen, *Average Is Over*: Chapter 1, "Work and Wages in iWorld"; Chapter 3, "Why Are So Many People Out Of Work?"
- [DC] D. Cutler in *The Economist's Voice 2010*: "The Simple Economics of Health Reform"
- [AD] A. Davidson, *The New York Times*, September 13, 2015: "A Matter of Degrees"
- [EC] *The Economist*: August 9, 2014, "Age Invaders"; October 31, 2015, "Where's Best"; August 8, 2015, "Climate Change, Hotter Than August"; September 20, 2014, "Experimental Medicine"; November 28, 2015, "Second Best Solutions"; February 13, 2016, "Reeferatory Challenge"; "It's Not the Heat, It's the Cupidity"; July 22, 2017, "Revive Don't Repeal" and August 29, 2017, "The Lives of Others"
- [EE] E. Emanuel, *Reinventing American Health Care*: Chapter 1, "How Did We Get Here?", Chapter 5, "The Surprising History of Health Care Reform in the United States" and Chapter 8, "What Is the Affordable Care Act?"
- [RbtF] R. Frank, *Microeconomics and Behavior*, 3<sup>rd</sup> edition, Chapter 3, "Rational Consumer Choice"
- [RicF] R. Freeman, *The New Inequality*: "Solving the New Inequality"
- [JKG] J. K. Galbraith, *Inequality What Everyone Needs To Know*: Chapter 2, "Inequality in the History of Economic Thought"
- [GL] D. Goldman and D. Lakdawalla, *The Economist's Voice 2010*: "Can the ACA Improve Population Health?"
- [FI] F. Incropera, *Climate Change: A Wicked Problem*: Chapter 4, "Global Warming" and Chapter 7, "Public Policy Options"

- [KS] L. Kenworthy and T. Smeeding in Brian Nolan, Wiemer Salverda, et al, *Changing Inequalities and Social Impacts in Rich Countries*: Chapter 29, "The United States: High and Rapidly Increasing Inequality"
- [AL] A. Krober, *China's Economy*: Chapter 1, "Overview: China's Political Economy"
- [DL] D. Leonhardt, *New York Times*, May 27, 2014: "Is College Worth It?"
- [NGM] N. Gregory Mankiw, *Principles of Microeconomics*: Chapter 3: "Interdependence and Gains From Trade"; Chapter 4, "Forces of Supply and Demand"; Chapter 5, "Elasticity and Its Applications"; Chapter 8, "Application: The Costs of Taxation", esp. Figures 5 and 6; and Chapter 10, "Externalities"
- [DM] D. Marron, *30 Second Economics*: "Public Choice"
- [WM] W. McNaught, *Post-Modern Political Economy*: Chapter 1, "The Evolution of Economics"
- [MB] R. L. Miller and D. K. Benjamin, *Economics of Macro Issues*, 6<sup>th</sup> Edition: Chapter 18, "Myths About Social Security"
- [MBN] R. L. Miller, D. K. Benjamin and D. C. North, *The Economics of Public Issues*, 18<sup>th</sup> Edition: Chapter 6, "Sex, Booze and Drugs"; "The Effects of the Minimum Wage"; Chapter 15, "The (Dis)incentives of Higher Taxes" and Chapter 26, "Greenhouse Economics"
- [MS] M. Sandel, *What Money Can't Buy*: Chapter 1, "Introduction: Markets and Morals"
- [JS] J. Stiglitz, *The Price of Inequality*: Chapter 3, "Markets and Inequality" and Chapter 5, "A Democracy in Peril"
- [SB] E. Siegel and A. Berezow, *Wall Street Journal*, 8-23-2017, "We Need a DUI Test for Marijuana"
- [SA] P. Szuchman and J. Anderson, *Spousonomics*, Chapter 1, "Division of Labor"
- [DT] D. Trump, *Crippled America*: Chapter 8, "It's Still the Economy Stupid"
- [VS] R. Vedder and J. Strehle, *Wall Street Journal*, June 5, 2017, "Diminishing Returns of a College Degree"

## **INTERNET RESOURCES**

- [RD] R. Dighe, "Legalize It—The Economic Argument" {[huffingtonpost.com](http://huffingtonpost.com)}
- [NASI] National Academy of Social Insurance, *Social Security Benefits, Finances and Policy Options: A Primer* {[NASI.org/research](http://NASI.org/research)}
- [OW] ObamacareWatch, *Health Care Primer: An Introduction and Health Costs and the Federal Budget* {[Obamacarewatch.org](http://Obamacarewatch.org)}
- [PO] *Politico's Understanding Obamacare*, INTRODUCTION, BIG CHANGES: COVERING PRE-EXISTING CONDITIONS, THE TRADEOFF: THE INDIVIDUAL MANDATE, HOW YOU'LL GET INSURANCE, and HOW OBAMACARE AFFECTS BUSINESS {[Politico.com/Obamacare](http://Politico.com/Obamacare)}
- [WS] W. Shugart [WS], *Public Choice* {[econlib.org/library/PublicChoice.html](http://econlib.org/library/PublicChoice.html)}

## **COURSE POLICIES**

### **Prerequisites**

The instructor assumes that all students have taken a course in microeconomics, probably GMU's Econ 103, but possibly NVCC's Eco 202. If a student has not, he/she should notify the instructor.

### **Scheduling**

Students interested in environmental economics and climate change may wish to know the instructor is also teaching Econ 335 (Environmental Economics) Monday evenings at 7:20 in Exploratory Hall L003. He will be discussing climate change in that course on November 20<sup>th</sup> and 27<sup>th</sup>.

### Office Hours and Extra Help

As an adjunct professor, the instructor does not have an office in the Economics Department so doesn't hold office hours. In the past most students have preferred contacting him via email through the addresses listed above. He will be available by appointment just before class at 1:00 or just after class.

### Honor Policy

The instructor graduated from the U. S. Air Force Academy and believes strongly in academic integrity. Students using someone else's work without proper attribution will be reported to GMU's Honor Council.

### Disability Policy

The instructor who is disabled himself will accommodate any disabled student who provides him with GMU paperwork attesting to his/her disability.

## GRADES

Grades will be determined through two graded exams and a short paper. Additionally, students may write an extra credit paper. All assignments will be graded on a standard 100-point scale and averaged to determine the final numerical grade. (Both exams will have 103 possible points, essentially giving students 3 points extra credit on each exam.) Letter grades probably will be set using the traditional grade scale of 90-100 A, 80 to 89 B, etc. Within each letter range the instructor will award some "+"s and "-"s. For example, an 81 would be a B- and a 98 would be an A+.

### Exams

The exams will combine multiple-choice questions, matching of terms and short-answer questions. Matching and multiple-choice questions will test students' knowledge of key economic terms mentioned in the readings and lectures. Each short-answer question will ask students to summarize one of the economic concepts mentioned in the text. Students will write their answers on the exam itself and do not need to bring blue books nor Scantron sheets. The instructor has already posted a study guide for the midterm exam on Blackboard. The final exam on December 19<sup>th</sup> will cover all material discussed after the midterm exam. The instructor will also post a study guide for it prior to the exam.

### Paper(s)

The required paper should be from 4 to 5 pages (double-spaced) and present the student's understanding of how economics contributes to the design of public policies in one of the following areas:

- ♦ **Market Failures and Government Responses (September 12<sup>th</sup>-14<sup>th</sup>);**
- ♦ **Externalities and the Environment (September 21<sup>st</sup>);**
- ♦ **Cost-Benefit Analysis (October 24<sup>th</sup>);**
- ♦ **Medical Care and Obamacare (October 31<sup>st</sup> to November 7<sup>th</sup>);**
- ♦ **Social Security (November 21<sup>st</sup> to November 28<sup>th</sup>) or**
- ♦ **Taxation (November 30<sup>th</sup> to Dec 7<sup>th</sup>).**

Additionally, students may write a second paper for extra credit; this paper should also be from 4 to 5 pages. The extra credit paper may be used to replace any of the other three graded assignments although in the past most students have written an extra credit paper in order to skip the final exam. Students may use any of the above topics not used for their required paper or any topics listed below for their extra credit paper:

- ♦ **"Income Inequality" (October 5<sup>th</sup>);**
- ♦ **"Public Choice" (October 12<sup>th</sup>);**

- ♦ "Legalization of Marijuana" (October 19<sup>th</sup>); or
- ♦ "Education" (November 9<sup>th</sup> and 14<sup>th</sup>).

The required paper is due at the last class lecture on December 9<sup>th</sup>. It may be brought to class or emailed to the instructor at the email addresses listed above. If students submit their papers via the instructor's GMU email address ([wmcnaugh@gmu.edu](mailto:wmcnaugh@gmu.edu)), they should use "Student Name/Econ 309 Paper" for their subject heading. The extra credit paper is due on or before the Final Exam on December 19<sup>th</sup>.

A sample paper discussing the size of government (Chapter 1) is available on Blackboard. An outline of a paper discussing climate change and externalities is also available on Blackboard. Students may email a short (no more than 2 to 3 paragraphs) summary of their plans for their papers to the instructor for comment before writing their papers.

## **SCHEDULE**

### **AUG 29: COURSE OVERVIEW**

REQUIRED READING: SR (Chapter 1); RECOMMENDED READINGS: DT ("It's Still the Economy Stupid" and AK (China's Political Economy)

### **AUG 31: MICROECONOMICS REVIEW; CONSUMER CHOICE (INDIFFERENCE CURVES)**

REQUIRED READINGS: NGM (Forces of Supply and Demand) and RbtF (Rational Consumer Choice); RECOMMENDED READING: WM (Evolution of Economics)

### **SEP 5: GAINS FROM TRADE**

REQUIRED READINGS: NGM (Interdependence & Gains From Trade), SA (Division of Labor)

### **SEP 7: MARKET EFFICIENCY**

REQUIRED READING: SR (Chapter 3)

### **SEP 12: MARKET FAILURE (PART 1)**

REQUIRED READING: SR (Chapter 4)

### **SEP 14: MARKET FAILURE (PART 2)**

REQUIRED READING: SR (Chapter 4)

### **SEP 19: PUBLIC GOODS**

REQUIRED READING: SR (Chapter 5)

### **SEP 21: EXTERNALITIES**

REQUIRED READING: SR (Chapter 6), GM (Externalities); RECOMMENDED READING: EC (The Lives of Others)

### **SEP 26: CLIMATE CHANGE AS AN EXTERNALITY**

REQUIRED READINGS: FI (Global Warming) and FI (Public Policy Options); RECOMMENDED READING: EC (Climate Change) and EC (It's Not the Heat, It's the Cupidity)

### **SEP 28: AL GORE ON CLIMATE CHANGE**

REQUIRED READINGS: MBN (Greenhouse Economics) and EC (Second Best Solutions); NOTE: Al Gore's movie, *An Inconvenient Truth*, viewed in class

**OCT 3: THE EFFICIENCY/EQUITY TRADEOFF**

REQUIRED READING: SR (Chapter 7) and MS (Introduction: Markets and Morals); NOTE: students may ask questions about the midterm exam

**OCT 5: THE U. S. INCOME DISTRIBUTION**

REQUIRED READINGS: JKG (Inequality in the History of Economic Thought), KS (The United States: High and Rapidly Increasing Inequality) and JS (Markets and Inequality); RECOMMENDED READINGS: RicF (Solving the New Inequality), TC (Work and Wages in iWorld), and JS (A Democracy in Peril)

**OCT 10: NO CLASS (COLUMBUS DAY BREAK!)****OCT 12: PUBLIC CHOICE**

REQUIRED READINGS: SR (Chapter 9) and WS (Public Choice); RECOMMENDED READINGS: JB (The Public Choice Perspective) and DM (Public Choice)

**OCT 17: MIDTERM EXAM****OCT 19: MARIJUANA LEGALIZATION**

REQUIRED READINGS: NGM (Elasticity and Its Applications, Figure 5-9) and EC (The Reeferatory Challenge); RECOMMENDED READINGS: RD (Legalize It: The Economic Argument), MBN (Sex, Booze and Drugs) and SB (We Need a DUI Test for Marijuana); NOTE: graded midterms will be returned and students who missed the exam will take a makeup exam.

**OCT 24: COST-BENEFIT ANALYSIS**

REQUIRED READING: SR (Chapter 11)

**OCT 26: DEFENSE EXPENDITURES/RESEARCH**

REQUIRED READING: SR (Chapter 12)

**OCT 31: HEALTH CARE (PART 1)**

REQUIRED READING: SR (Chapter 13), EE (How Did We Get Here?),

**NOV 2: HEALTH CARE (PART 2)**

REQUIRED READING: DC (Simple Economics of Health Care Reform), EE (Surprising History of Health Care Reform)

**NOV 7: OBAMACARE**

REQUIRED READINGS: EE (What Is the Affordable Care Act?), PO (Understanding Obamacare) and EC (Experimental Medicine); RECOMMENDED READINGS: GL (Can the Affordable Care Act Improve Population Health?), EC (Revive Don't Repeal), OW (Health Care Primer)

**NOV 9: EDUCATION (ECONOMICS)**

REQUIRED READING: SR (Chapter 14); RECOMMENDED READINGS: DL (Is College Worth It?), VS (Diminishing Returns of a College Degree) and AD (A Matter of Degrees)

**NOV 14: EDUCATION (COLLEGE SELECTION)**

RECOMMENDED READINGS: EC (Where's Best), and BW (Best Value Schools 2011)

**NOV 16: WELFARE**

REQUIRED READINGS: SR (Chapter 15) and MBN (The Effects of the Minimum Wage); RECOMMENDED READINGS: RB (Fighting Poverty), TC (Why Are So Many People Out of Work?), and RicF (Solving the New Inequality)

**NOV 21: SOCIAL SECURITY (PART 1)**

REQUIRED READINGS: SR (Chapter 16) and EC (Age Invaders); RECOMMENDED READING: MB (Myths About Social Security)

**NOV 23: NO CLASS THANKSGIVING!****NOV 28: SOCIAL SECURITY (PART 2)**

REQUIRED READING: NASI; NOTE: NASI primer reviewed in class

**NOV 30: INTRODUCTION TO TAXATION**

REQUIRED READING: SR (Chapter 17)

**DEC 5: INCIDENCE OF TAXATION (PART 1)**

REQUIRED READING: SR (Chapter 18) and NGM (Costs of Taxation); RECOMMENDED READING: MBN (The Disincentives of Higher Taxes); NOTE Study Guide for final exam posted to Blackboard

**DEC 7: INCIDENCE OF TAXATION (PART 2)**

REQUIRED READING: SR (Chapter 18); NOTE: Required papers due; time set aside to answer student questions about the final exam

**DEC 19: FINAL EXAM**

NOTE: The final exam will be administered at 3:00 P.M., not 1:20 as stated on Patriotweb, the exam is not comprehensive, but only covers Chapters 11 through 18 plus all supplementary required readings after the midterm; required papers will be returned at the exam; Extra-credit papers due