

Econ 309. 004 – Fall 2017
Economic Problems and Public Policies
TR 3:00 p.m.–4:15 p.m.

Professor: Dylan DelliSanti
E-mail: Dellisanti14@gmail.com or ddellisa@masonlive.gmu.edu
Office: Buchanan Hall D150
Office Hours: By appointment
Description: This course is intended to give students practice in using the economic way of thinking as a tool for analyzing public policy. Students will learn the merits of opportunity cost reasoning, comparative institutional analysis, and methodological individualism in coming to sound judgments about policy.
Prerequisite(s): Econ 103 and 104
Credit Hours: 3
Textbook: *Microeconomics: Private and Public Choice*
Publisher: Cengage
Authors: Gwartney, Stroup, Sobel, and MacPherson
ISBN-13: 978-1305506893

Overview:

This course is intended to give students practice in using the economic way of thinking as a tool for analyzing public policy. As such, this course should be viewed as essential in helping students become responsible citizens in a democratic society. The economic way of thinking distinguishes itself by its use of methodological individualism, its emphasis on dispersed knowledge and the need for coordination, the importance it places on subjectivism, the consistent and persistent use of opportunity cost reasoning, and the use of comparative institutional analysis among other tools. Intellectual resources from other disciplines will also be used (as this course does fulfill the Mason Core synthesis requirement), but this course focuses on the unique perspective of the economist.

Public policy is not formed in a vacuum. It happens through a deliberative process which involves policymakers, legislators, lobbyists, academics, think-tanks, and the citizen. The quality of public policy discussion is a function, at least in part, of the tools for self-governance which the citizens have at their disposal. Almost all thinkers in political philosophy agree that effective self-governance is a recipe for good governance. As such, this course is intended to help students make sound judgments about regarding policy issues, so that they can become effective self-governors. To that end, in addition to learning the economic way of thinking, students will learn the importance of intellectual honesty and the principle of charity.

Learning Objectives:

- Students will understand the importance of the economic way of thinking in analyzing the formation, and the effects, of public policies.
- Students will understand the role of intellectual honesty and the principle of charity in coming to sound judgments about matters of public policy.
- Students will understand how to analyze and interpret data as it relates to public policy.
- Students will understand how to conduct research, analyze technical policy papers, and how to check the credibility of their sources.
- Learning these skills should assist students in coming to sound judgments about public policy issues.

Course Outline:

▪ Introduction to the Economic Way of Thinking

- Chapter 1 of Gwartney
- “The Why and How of Reasonable Disagreement,” Vallier:
<https://niskanencenter.org/blog/the-why-and-how-of-reasonable-disagreement/>
- “Guided by the Beauty of our Weapons,” Alexander:
<https://slatestarcodex.com/2017/03/24/guided-by-the-beauty-of-our-weapons/>
- Part 6, Section II, Chapter II of *The Theory of Moral Sentiments*, Smith:
http://oll.libertyfund.org/titles/2620#lf1648_label_170

▪ Exchange, Specialization, and the Division of Labor

- Chapter 2 of Gwartney
- Book I, Chapters 1 through 3 of *The Wealth of Nations*, Smith:
<http://oll.libertyfund.org/titles/smith-an-inquiry-into-the-nature-and-causes-of-the-wealth-of-nations-cannan-ed-vol-1>

▪ The Market Process

- Chapter 3 of Gwartney
- “The Use of Knowledge in Society,” Hayek:
<http://www.econlib.org/library/Essays/hykKnw1.html>

▪ Price Controls, Surpluses, Shortages, and Black Markets

- Chapter 4 of Gwartney
- “Minimum Wages,” Gorman: <http://www.econlib.org/library/Enc/MinimumWages.html>
- “Does Raising the Minimum Wage Kill Jobs?” Planet Money podcast:
<http://www.npr.org/sections/money/2014/03/06/286861541/does-raising-the-minimum-wage-kill-jobs>

▪ Taxes and Subsidies

- Chapter 4 of Gwartney
- “The Laffer Curve: Past, Present, and Future,” Laffer:
<http://www.npr.org/sections/money/2014/03/06/286861541/does-raising-the-minimum-wage-kill-jobs>
- “The Tuition Aid Trap,” McCluskey:
<https://www.cato.org/publications/commentary/tuition-aid-trap>
- “Accounting for the Rise of College Tuition,” Gordon and Hedlund:
<http://www.nber.org/chapters/c13711.pdf>

▪ **Market Failures and Government Intervention**

- Chapters 5 and 6, Gwartney
- “Public Choice,” Shugart: <http://www.econlib.org/library/Enc/PublicChoice.html>
- Chapter 5 of *The Calculus of Consent*, Buchanan: <http://oll.libertyfund.org/titles/buchanan-the-calculus-of-consent-logical-foundations-of-constitutional-democracy>
- “The Myth of the Rational Voter,” Caplan: <https://object.cato.org/sites/cato.org/files/pubs/pdf/pa594.pdf>
- “The Theory of Economic Regulation,” Stigler: <http://www.rasmusen.org/zg604/readings/Stigler.1971.pdf>

▪ **Federalism and Constitutional Constraints**

- The Federalist, Nos. 10, 47, and 51: <http://www.let.rug.nl/usa/documents/1786-1800/the-federalist-papers/>
- “Robust Political Economy,” Leeson and Subrick: http://www.peterleeson.com/Robust_Political_Economy.pdf
- “Competition, knowledge, and local government,” Stansel: <https://link.springer.com/article/10.1007/s11138-011-0168-y>

▪ **Price Takers, the Competitive Process, and Profits and Loss**

- Chapter 9 of Gwartney
- “Competition as a Discovery Procedure,” Hayek: https://mises.org/sites/default/files/qjae5_3_3.pdf
- “A Retrospective Look at Rescuing and Restructuring General Motors and Chrysler,” Krueger and Goolsbee: <https://www.aeaweb.org/articles?id=10.1257/jep.29.2.3>
- “Bankruptcies, Bailouts, and Some Political Economy of Corporate Reorganization,” Dellisanti and Wagner: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2956439

▪ **Competitive Price-Searcher Markets and Entrepreneurship**

- Chapter 10 of Gwartney
- “Entrepreneurship,” Sobel: <http://www.econlib.org/library/Enc/Entrepreneurship.html>

▪ **Monopoly and Barriers to Entry**

- Chapter 11 of Gwartney
- “The Meaning of Competition,” Hayek: <https://econjwatch.org/articles/the-meaning-of-competition>

- “Economics as a Guide to Antitrust Regulation,” Demsetz:
http://www.jstor.org/stable/725174?seq=1#page_scan_tab_contents
- “Occupational Licensing and American Workers,” Nunn:
<https://www.brookings.edu/research/occupational-licensing-and-the-american-worker/>
- **The Labor Market**
 - Chapter 13 of Gwartney
 - “The Political Economy of Segregation: The Case of Segregated Streetcars,” Roback:
www.jstor.org/stable/2121814
 - “The Truth and Myth on the Gender Pay Gap,” Horwitz: <https://fee.org/articles/truth-and-myth-on-the-gender-pay-gap/>
 - “Gender Gap,” Goldin: <http://www.econlib.org/library/Enc1/GenderGap.html>
- **Investment and Capital**
 - Chapter 14 of Gwartney
 - “Economics and the Calculation Problem,” Salter: <https://fee.org/articles/economics-and-the-calculation-problem/>
 - *Economic Calculation in the Socialist Commonwealth*, Mises:
https://mises.org/sites/default/files/Economic%20Calculation%20in%20the%20Socialist%20Commonwealth_Vol_2_3.pdf
- **Income Inequality and Poverty**
 - Chapter 15 of Gwartney
 - “Piketty’s “Capital,” in a Lot Less than 696 Pages,” Fox:
<https://hbr.org/2014/04/pikettys-capital-in-a-lot-less-than-696-pages>
 - “Stop Obsessing over Inequality,” Tupy:
https://www.washingtonpost.com/posteverything/wp/2015/01/08/stop-obsessing-about-inequality-its-actually-decreasing-around-the-world/?utm_term=.0d913405a1fd
 - “Review and Critique of Piketty’s Capital in the Twenty-First Century.” Warshawsky:
<https://www.mercatus.org/system/files/Warshawsky-Piketty-v2.pdf>
- **School Choice**
 - “School Choice and School Productivity,” Hoxby:
<http://www.nber.org/chapters/c10091.pdf>
 - “Why Managed Competition is Better than a Free Market for Schooling,” Harris:
<https://www.brookings.edu/opinions/why-managed-competition-is-better-than-a-free-market-for-schooling/>
 - “Does Expanding School Choice Increase Segregation?” Chingos:
<https://www.brookings.edu/research/does-expanding-school-choice-increase-segregation/>

▪ **International Trade**

- Chapter 16 of Gwartney
- “Don Boudreaux on Globalization and Trade Deficits,” EconTalk Podcast
- “NAFTA, 20 Years Later: Do the Benefits Outweigh the Costs?”
<http://knowledge.wharton.upenn.edu/article/nafta-20-years-later-benefits-outweigh-costs/>

▪ **International Immigration**

- “Comment: The Elusive Search for Negative Wage Impacts of Immigration,” Card:
<http://davidcard.berkeley.edu/papers/jeea2012.pdf>
- “Poor Immigrants Use Public Benefits at a Lower Rate than Poor Native-Born Citizens,”
Ku and Bruen: <https://object.cato.org/sites/cato.org/files/pubs/pdf/edb17.pdf>
- “Immigration and Economic Inequality,” Nowrasteh:
<https://www.cato.org/blog/immigration-economic-inequality>
- “The Great Assimilation Scare,” Nowrasteh: <https://www.cato.org/blog/great-assimilation-scare>
- “Immigration and Crime – What the Research Says” Nowrasteh:
<https://www.cato.org/blog/immigration-crime-what-research-says>

▪ **Land-Use and Zoning Regulations**

- “Why is Manhattan So Expensive? Regulation and the Rise in Housing Prices,” Glaesar
et al.:
http://repository.upenn.edu/cgi/viewcontent.cgi?article=1007&context=penniur_papers
- “Housing Constraints and Spatial Misallocation,” Hsieh and Moretti:
<http://eml.berkeley.edu/~moretti/growth.pdf>
- “Barriers to Shared Growth: The Case of Land Use Regulation and Economic Rents,”
Furman:

https://obamawhitehouse.archives.gov/sites/default/files/page/files/20151120_barriers_shared_growth_land_use_regulation_and_economic_rents.pdf

▪ **Universal Basic Income**

- “A guaranteed income for every American,” Murray: <http://www.aei.org/publication/a-guaranteed-income-for-every-american/>
- “The Basic Income Guarantee: Simplicity, but at What Cost?” Tanner: <https://www.cato-unbound.org/2014/08/26/basic-income-guarantee-simplicity-what-cost>

▪ **Mass Incarceration**

- “Why Nations Jail,” D’Amico: <https://www.cato-unbound.org/2015/09/14/daniel-damico/why-nations-jail>
- “Laboratories of Incarceration,” Gelb: <https://www.cato-unbound.org/2015/09/23/adam-gelb/laboratories-incarceration>
- “Great facts and new facts: The end of U.S. mass imprisonment?” Karstedt: <https://www.cato-unbound.org/2015/09/24/susanne-karstedt/great-facts-new-facts-end-us-mass-imprisonment>

Course Policies and Expectations:

Your grade will be comprised of five quizzes, five small writing assignments, classroom participation, and a final exam:

- Quizzes: 20%
 - Attendance and participation: 20%
 - Writing assignments: 30%
 - Final exam: 30%
- Writing Assignments: Throughout the semester, you will be assigned five writing assignments. The purpose of these assignments is to give you experience in using the economic way of thinking, conducting research, summarizing your finds, and creating a persuasive and intellectually honest argument. I will not be explicitly focused on grammar, except to the extent that your grammar hinders the quality of your argument. The assignments will vary in length, but most will be between two to three pages.
- Attendance: I expect you to attend every class.
- Participation and Classroom Decorum
- Participation in class discussion is both welcome and expected. Education is not simply a process of knowledge transfer or a one-way street. Be sure to ask questions if you are confused; this is not only for your benefit but for your classmates, as well.
 - Should you have questions or concerns regarding the material that cannot be addressed during regular class time, please visit with me subsequent to the reading and class discussion of a topic.
 - Please read the assigned material on a topic before coming to class. Reading the material beforehand is critical for valuable classroom time.
 - Avoid engaging in private conversation, reading materials unrelated to the class, leaving the classroom unnecessarily, and any other activity that creates negative externalities. Feel free

to use your phone as you like, but note that disruptive or frequent use will harm your participation grade. Phones should always be on silent.

➤ Make-up Work Policy:

- Make-up work will only be accepted within 24 hours of the deadline, unless an excused and verified excuse is provided.

➤ Academic Integrity and the Honor Code

- In all of your work for me, I expect you will uphold the Honor Code.
- Do not “cheat, steal, plagiarize, or lie in matters related to your academic work”

➤ Disability Accommodations

- If you are a student with a disability and you need academic accommodations, please see me and contact Disability Services at 993-2474, <http://ds.gmu.edu>. All academic accommodations must be arranged through Disability Services.