

# **Economic Policy Analysis I (ECON 695 – 006)**

Fall 2018

Wednesdays 1:30-4:10pm

George Mason University, Arlington Campus

Founders Hall 478

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## **Course Description & Objectives**

The goals of this course are twofold. The first goal is to acquaint students with the use of political economy to evaluate and critique the efficacy and efficiency of public policies. As such, it is a course in applied microeconomics and is focused on economic theories and frameworks in order to build up an analytical toolkit for use in policy analysis. The second goal is to promote the writing and rhetorical skills needed to create a compelling analysis of a particular economic policy. In order to achieve this goal, works in economic theory and political economy are paired with readings on issues of contemporary policy relevance in order to begin building analytical connections between theory and social reality. In addition to being graded on participation in intensive class discussions, students will be graded on written work that applies well-defined economic frameworks to important topics in policy.

The method of the course is based on the principles of coproduction and learning-by-doing. Coproduction is an economic concept that refers to the idea that some goods cannot be produced—or in this case, some goals cannot be achieved—without the full participation and buy-in of all parties involved. Learning is one of the strongest possible examples of such a good, because learning involves not just passive listening but active *hearing* and mental engagement with ideas. Learning-by-doing is the related concept that given the coproduced nature of education, those wishing to learn will need to be the ones doing the reading, writing, and articulation of ideas in order for those ideas to become part of a usable toolkit. To paraphrase economist Richard Wagner, thinking without explaining to others through the spoken and written word is just daydreaming. Consequently, this course is heavily based in discussion and writing, both of which will require you to carefully read all course material before entering the classroom and engage fully with the course material in and out of class each week.

## **Course Readings & Required Books**

There are four books you will want personal copies of for this course, listed here in the order in which they appear on the syllabus:

- Matt Ridley, 2010, *The Rational Optimist: How Prosperity Evolves*, Harper Collins.
- F. A. Hayek, 1976, *Law, Legislation, and Liberty Volume II: The Mirage of Social Justice*, Chicago: University of Chicago Press,
- Richard Rothstein, 2017, *The Color of Law: A Forgotten History of How Our Government Segregated America*, Liveright Publishing Corporation.
- Christopher J. Coyne and Abigail Hall-Blanco, 2018, *Tyranny Comes Home: The Domestic Fate of U.S. Militarism*, Stanford University Press.

The remainder of the required readings are available online, either in an open access form or through the GMU library's electronic journal databases. Due to the nature of the discussion that will take place in this course, you should plan to bring every assigned reading to class each week. If you can use electronic versions without getting distracted by email, Candy Crush, or CNN BREAKING NEWS, you are welcome to do so, but I would encourage you to consider reading, highlighting, and referring to a paper copy unless you have a well-honed system for electronic note taking.

### **Course Grading & Structure**

**Reading quizzes (30%):** To be given at the beginning of each class beginning in the second week of the semester. Once the quizzes for the class session have been collected, the quiz cannot be made up. Your two lowest quiz scores will be dropped to allow flexibility should you ever find life getting in the way of your ability to prepare for and attend class. However, due to the extent to which this course depends on active weekly engagement in order to achieve its objectives, please speak to me as soon as any you are able to foresee any possible obstacle to your full participation. If you anticipate needing to miss more than one or two class sessions, another elective may be more appropriate.

**Discussion and participation (30%):** A significant portion of this course will involve mutually supportive but independently driven learning through conversation and good-spirited contestation over ideas. I'll be there to enforce the shared system of rules within which this cooperation and contestation will take place by moderating the discussion and judiciously intervening in order to offer context and clarifications when necessary. Your grade for this section of the course will be determined by the frequency and substance of your contributions to the conversation. Your two lowest participation scores will be dropped to allow flexibility should you ever find life getting in the way of your ability to prepare for and attend class.

**Policy editorials (40%):** You will write four 500-800 word policy editorials this semester, one on each of the three policy areas focused on in the course and one on a topic of your choosing. In these editorials, you will apply the economic frameworks explored during the discussion portion of the course in response to a specific treatment of a contemporary policy issue. (See separate assignment sheet for specific instructions and tips on how to craft these editorials.)

### **Grading Scale**

A+ 97-100; A 93-96;	A- 90-92
B+ 87-89; B 83-86;	B- 80-82
C+ 77-79; C 73-76;	C- 70-72
D 60-69;	
F <60	

### **Special Accommodations**

If you require any special accommodations, please see me immediately so that we can work together to make sure that you have what you need to succeed in this course. Visit <http://ds.gmu.edu/> for more information on resources available to students at GMU.

### **Academic Integrity**

When you applied to attend George Mason University, you agreed to adhere to the following as a condition of your admission to the university:

*To promote a stronger sense of mutual responsibility, respect, trust, and fairness among all members of the George Mason University Community and with the desire for greater academic and personal achievement, we, the student members of the university community, have set for this Honor Code: Student Members of the George Mason University community pledge not to cheat, plagiarize, steal, or lie in matters related to academic work.*

Penalties for violations of the honor code, including cheating and plagiarism, can range from receiving no credit on an assignment or in this class, to expulsion from the university. I do adhere to these principles and will report violations of academic integrity. Please visit <http://oai.gmu.edu/> to familiarize yourself with the full terms of the GMU Honor Code.

## Course Outline

Date	Reading
<b>August 29</b>  <b>Introduction</b>	Introduction to the course and to the relationship between economic frameworks and policy analysis
<b>September 5</b>  <b>Trade and Entrepreneurship I: The Market</b>	<ul style="list-style-type: none"> <li>• Adam Smith, 1982 [1776], <a href="#">An Inquiry into the Nature and Causes of the Wealth of Nations, Volume I</a>. Edited by R. H. Campbell and A. S. Skinner. Indianapolis: Liberty Fund, Inc. Book I, Chapter 1, “Of the Division of Labour,” Chapter 2, “Of the Principle which gives Occasion to the Division of Labour,” and Chapter 3, “That the Division of Labour is Limited by the Extent of the Market.”</li> <li>• Matt Ridley, <i>The Rational Optimist</i>, Chapter 2, “The collective brain: exchange and specialization after 200,000 years ago” and Chapter 5, “The triumph of cities: trade after 5,000 years ago.”</li> </ul>
<b>September 12</b>  <b>Trade and Entrepreneurship II: Prices and Controls</b>	<ul style="list-style-type: none"> <li>• Don C. Lavoie, 1986, <a href="#">“The Market as a Procedure for Discovery and Conveyance of Inarticulate Knowledge”</a> <i>Comparative Economic Studies</i> 28 (1).</li> <li>• Fiona Scott Morton, 2001, <a href="#">“The Problems of Price Controls: History Shows that These Policies Lead to Shortages and Stagnation; so Why Do We Want to Control Prescription Drug Prices?”</a> <i>Regulation</i>, 24(1).</li> <li>• Jared Bernstein, 2016, <a href="#">“Drug Price Controls are Vital in a Market That’s Not Free,”</a> <i>New York Times The Opinion Pages: Room for Debate</i>.</li> </ul>
<b>September 19</b>	<b>NO CLASS</b>
<b>September 26</b>  <b>Trade and Entrepreneurship III: Protectionism</b>	<ul style="list-style-type: none"> <li>• Frédéric Bastiat, 1845, <a href="#">“Petition of the Manufacturers of Candles, Waxlights, Lamps, Candlelights, Street Lamps, Snuffers, Extinguishers, and the Producers of Oil, Tallow, Resin, Alcohol, and Generally, of Everything Connected with Lighting,”</a> available through <a href="http://Bastiat.org">http://Bastiat.org</a>.</li> <li>• Gordon Tullock, 1986. “The Welfare Costs of Tariffs, Monopolies and Theft.” <i>Journal of Reprints for Antitrust Law and Economics</i> 16: 459. (CONT)...</li> <li>• David I. Jeremy, 1977, “Damming the Flood: British Government Efforts to Check the Outflow of Technicians and Machinery, 1780-1843.” <i>The Business History Review</i> 51 (1): 2-5.</li> <li>• Ryan Young, August 22, 2018, <a href="#">“‘Infant Industry’ Argument Does Not Justify Trade Barriers,”</a> <i>Competitive Enterprise Institute Blog</i>.</li> </ul>
<b>October 3</b>  <b>Trade and Entrepreneurship III: Change Over Time</b>	<ul style="list-style-type: none"> <li>• Gordon Tullock, 1975, “The Transitional Gains Trap.” <i>The Bell Journal of Economics</i> 6 (2): 671–78.</li> <li>• Matt Ridley, <i>The Rational Optimist</i>, Chapter 7, “The release of slaves: energy after 1700,” and Chapter 8, “The invention of invention: increasing returns after 1800.”</li> <li>• Donald J. Boudreaux, 2017, “Trade and Our ‘Habits of the Lip,’” <i>Journal of Private Enterprise</i> 32 (4): 109–19.</li> </ul>

<p>October 10</p>	<p>NO CLASS</p> <p><b>***Your editorial applying economic analysis to an important question related to trade or entrepreneurship is due no later than 1:30pm today.</b></p>
<p>October 17</p> <p><b>Inequality and Discrimination I: Reason, Tradition, and their Abuses</b></p>	<ul style="list-style-type: none"> <li>• F. A. Hayek, 2011 [1960], <i>The Constitution of Liberty: The Definitive Edition</i>, ed. Ronald Hamoway, Chicago: University of Chicago Press, Chapter 2, “The Creative Powers of a Free Civilization.” [SEE ME IF YOU NEED A COPY]</li> <li>• Frederick Douglass, “<a href="#">The Right to Criticize American Institutions</a>,” Speech before the American Anti-Slavery Society, May 11, 1847.</li> <li>• Thomas Leonard, 2009, “American Economic Reform in the Progressive Era: Its Foundational Beliefs and Their Relation to Eugenics,” <i>History of Political Economy</i> 41 (1): 109–41.</li> </ul>
<p>October 24</p> <p><b>Inequality and Discrimination II: Difference in Political Treatment</b></p>	<ul style="list-style-type: none"> <li>• F. A. Hayek, <i>The Mirage of Social Justice</i>, Chapter 7, “General Welfare and Particular Purposes” and Chapter 8, “The Quest for Justice.”</li> <li>• Chandran Kukathas, “<a href="#">Controlling Immigration Means Controlling Citizens</a>”. Lecture, Mercatus Center at George Mason University Hayek Speaker Series: ‘Immigration and Freedom’, Fairfax, VA, March 29, 2017.</li> </ul>
<p>October 31</p> <p><b>Inequality and Discrimination III: Political Distortions</b></p>	<ul style="list-style-type: none"> <li>• James M. Buchanan, 1954, “Individual Choice in Voting and the Market.” <i>Journal of Political Economy</i> 62 (4): 334–43.</li> <li>• F. A. Hayek, <i>The Mirage of Social Justice</i>, Chapter 9, “‘Social’ or Distributive Justice” and Chapter 10, “The Market Order or Catallaxy.”</li> <li>• Richard Rothstein, <i>The Color of Law</i>, Chapter 2, “Public Housing, Black Ghettos,” Chapter 3, “Racial Zoning”, and Chapter 11, “Looking Forward, Looking Back.”</li> </ul>
<p>November 7</p> <p><b>Inequality and Discrimination III: Change Over Time</b></p>	<ul style="list-style-type: none"> <li>• John Stuart Mill, 2017 [1869], <a href="#">The Subjection of Women</a>, ed. Jonathan Bennett, <i>Some Texts From Early Modern Philosophy</i>, <a href="http://www.earlymoderntexts.com">http://www.earlymoderntexts.com</a>, Chapter 1, “The question can be raised,” Chapter 2, “The Laws Governing Marriage, and Chapter 4, “What good would reform do.”</li> <li>• Lemke, J. (2016). “Interjurisdictional Competition and the Married Women’s Property Acts,” <i>Public Choice</i>, 166 (3): 291–313.</li> <li>• Goldin, Claudia. 2014. “A Grand Gender Convergence: Its Last Chapter.” <i>American Economic Review</i> 104 (4): 1091–1119.</li> </ul>
<p>November 14</p> <p><b>Policing, Defense, and Criminal Justice: Decision Making in Crime and Punishment</b></p>	<p><b>***Your editorial applying economic analysis to an important question related to inequality or discrimination is due no later than 1:30pm today.</b></p> <ul style="list-style-type: none"> <li>• Buchanan, James M. 1959. “Positive Economics, Welfare Economics, and Political Economy.” <i>The Journal of Law &amp; Economics</i> 2: 124–38.</li> <li>• David D. Friedman, “<a href="#">Crime</a>,” The Library of Economics and Liberty.</li> </ul> <p style="text-align: right;">CONTINUES ON NEXT PAGE...</p>

	<ul style="list-style-type: none"> <li>Michelle Alexander, 2011, "The New Jim Crow," Symposium: Mass Incarceration: Causes, Consequences, and Exit Strategies, <i>Ohio State Journal of Criminal Law</i> 9: 7–26.</li> <li>Glenn C. Loury, 2014, "<a href="#">Detention, Democracy, and Inequality in a Divided Society</a>," <i>The ANNALS of the American Academy of Political and Social Science</i> 651 (1): 178–82.</li> <li>David Muhlhausen, 2010, "<a href="#">Theories of Punishment and Mandatory Minimum Sentences</a>," Testimony before the U.S. Sentencing Commission on May 27, 2010.</li> </ul>
November 21	<b>Thanksgiving Recess—no class meeting</b>
November 28 <b>Policing, Defense, and Criminal Justice II: Policing in Democratic Systems</b>	<ul style="list-style-type: none"> <li>Paul Dragos Aligica and Vlad Tarko, 2012, "Polycentricity: From Polanyi to Ostrom, and Beyond," <i>Governance</i> 25(2): 237–262.</li> <li>Elinor Ostrom, 1993, "A Communitarian Approach to Local Governance," <i>National Civic Review</i> 82 (3): 226–33.</li> <li>Peter J. Boettke, Jayme Lemke, and Liya Palagashvilli, 2016, "Re-evaluating Community Policing in a Polycentric System" <i>Journal of Institutional Economics</i>. Volume 12 (2): 305-325.</li> <li>Roger Koppl and E. James Cowan, 2010, "A Battle of Forensic Experts Is Not a Race to the Bottom," <i>Review of Political Economy</i> 22 (2): 235–62.</li> </ul>
December 5 <b>Policing, Defense, and Criminal Justice III: Foreign Policy</b>	<ul style="list-style-type: none"> <li>Christopher J. Coyne &amp; Abigail Hall-Blanco, <i>Tyranny Comes Home</i>, Chapter 2, "The Boomerang Effect: How Social Control Comes Home," Chapter 4, "Surveillance," Chapter 5, "The Militarization of Police," and Chapter 7, "Torture."</li> </ul>
December 12	<b>***Your editorial applying economic analysis to an important question related to policing, defense, or criminal justice AND your editorial applying economic analysis to an topic of your own choosing are due no later than 4:15pm today.</b>