

Economic Policy Analysis I
ECON 695-001
Fall 2023
Tuesday, 4:30 – 7:10pm
Van Metre Hall 312
Arlington Campus

Professor Rosolino Candela
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Office Hours: Scheduled by appointment

COURSE DESCRIPTION AND OBJECTIVES:

The goals of this course are twofold. The first goal is to acquaint students with the foundational literature in Mainline Economics with the hope that each of you will see ways to bring the rich tradition of Adam Smith's economics to bear on modern policy questions. In doing so, you will join the ranks of such esteemed economists as F.A. Hayek, James Buchanan, and Elinor Ostrom, among many others, who sparked a new perspective and renewed interest in the institutions and processes of economic policy.

The second goal is to learn the basics involved in identifying an important question and structuring a feasible research project grounded in this literature. You will not be required to bring a full project to conclusion within the scope of the course, but you will work through some of the mechanics of finding a question and exploring how it has been, or might be, examined when time does permit.

REQUIRED MATERIALS:

All of the books and journal articles listed below are required reading. I have provided links to the journal articles where available. Articles can also be accessed through the GMU library (E-journal finder). Those articles or book chapters not available online will be posted on Blackboard. You are expected to do all of the assigned readings prior to the class session when they will be discussed.

Books

Armentano, Dominick T. 1990. [*Antitrust and Monopoly: Anatomy of a Policy Failure*](#), 2nd Edition. Oakland, CA: The Independent Institute.

Kirzner, Israel M. 2018. [*The Collected Works of Israel M. Kirzner: Competition, Economic Planning, and the Knowledge Problem*](#). Indianapolis, IN: Liberty Fund.

McGinnis, Michael D., ed. 1999. [*Polycentricity and Local Public Economies: Readings from the Workshop in Political Theory and Policy Analysis*](#).

Mitchell, Matthew D., and Peter J. Boettke. 2017. [*Applied Mainline Economics: Bridging the Gap Between Theory and Public Policy*](#). Arlington: Mercatus Center.

SCHEDULED OUTLINE OF COURSE EVENTS

1. Introduction: What is Mainline Economics? (August 22)

Mitchell and Boettke. 2017. *Applied Mainline Economics*, Chapters 1 & 2.

Candela, Rosolino. (2020). "[Are Markets Imperfect? Of Course, But That's The Point!](#)" *EconLog: The Online Library of Economics and Liberty*, May 18, 2020.

2. The Price System and the Allocation of Resources. (August 29 & September 5)

Mitchell and Boettke. 2017. *Applied Mainline Economics*, Chapter 3.

Boettke, Peter J. 1998. "Economic Calculation: *The Austrian Contribution to Political Economy*." *Advances in Austrian Economics* 5: 131–158.

Hayek, F.A. 1961. "[The Non Sequitur of the 'Dependence Effect](#)." *Southern Economic Journal* 27(4): 346–348.

Kirzner, Israel M. 1984 [2018]. "Prices, the Communication of Knowledge, and the Discovery Process." In [*The Collected Works of Israel M. Kirzner: Competition, Economic Planning, and the Knowledge Problem*](#). Indianapolis, IN: Liberty Fund, pp. 18–32.

Kirzner, Israel M. 1988 [2018]. "The Economic Calculation Debate: Lessons for Austrians." In [*The Collected Works of Israel M. Kirzner: Competition, Economic Planning, and the Knowledge Problem*](#). Indianapolis, IN: Liberty Fund, pp. 106–126.

Kirzner, Israel M. 1997 [2018]. "How Markets Work: Disequilibrium, Entrepreneurship, and Discovery." In [*The Collected Works of Israel M. Kirzner: Competition, Economic Planning, and the Knowledge Problem*](#). Indianapolis, IN: Liberty Fund, pp. 257–300. (Sections I-IV), pp. 309–321 ("The Economics of Welfare", "The Economics of Socialism", "Economics, Markets, and Justice", & "Conclusion")

Powell, Benjamin. 2005. "State Development Planning: Did It Create an East Asian Miracle?" *The Review of Austrian Economics* 18(3/4): 305–323.

3. Competition, Monopoly, and Antitrust Policy (September 12 & 19)

Armentano, Dominick T. 1982 [1990]. *Antitrust and Monopoly: Anatomy of a Policy Failure* (2nd Edition), pp. 1–84.

DiLorenzo, Thomas J. 1985. "The Origins of Antitrust: An Interest-Group Perspective." *International Review of Law and Economics* 5(1): 73–90.

DiLorenzo, Thomas J., and Jack C. High. 1988. "Antitrust and Competition: Historically Considered." *Economic Inquiry* 26(3): 423–435.

Kirzner, Israel M. 1974 [2018]. "Capital, Competition, and Capitalism." In [*The Collected Works of Israel M. Kirzner: Competition, Economic Planning, and the Knowledge Problem*](#). Indianapolis, IN: Liberty Fund, pp. 246–253.

Kirzner, Israel M. 1997 [2018]. "How Markets Work: Disequilibrium, Entrepreneurship, and Discovery." In [*The Collected Works of Israel M. Kirzner: Competition, Economic Planning, and the Knowledge Problem*](#). Indianapolis, IN: Liberty Fund, pp. 301–304 (Section V on "The Economics of Advertising")

Kirzner, Israel M. 1972 [2018]. "Advertising." In [*The Collected Works of Israel M. Kirzner: Competition, Economic Planning, and the Knowledge Problem*](#). Indianapolis, IN: Liberty Fund, pp. 232–245.

4. Midterm Exam (September 26)

5. Entrepreneurship and the Perils of Regulation (October 3)

POLICY QUESTION AND ABSTRACT DUE

Kirzner, Israel M. (1978). *The Perils of Regulation: A Market-Process Approach*. Coral Gables, FL: Law and Economics Center, University of Miami.

Benson, Bruce L. 2002. "[Regulatory Disequilibrium and Inefficiency: The Case of Interstate Trucking](#)." *The Review of Austrian Economics* 15(2-3): 229–255.

Candela, Rosolino A., and Peter J. Jacobsen. 2019. "[Calculation and Corporate Tax Incentives](#)." *Political Economy in the Carolinas* 2 (2019): 61–75.

6. No class, October 10, Monday classes held on Tuesday.

7. Entrepreneurship, Non-Market Decision-Making, and Economic Reform (October 17 & 24)

Mitchell and Boettke. 2017. *Applied Mainline Economics*, Chapters 4 & 5.

Candela, Rosolino A., and Ennio Piano. 2018. "[Rule of Law](#)." *Encyclopedia of Law and Economics*.

Mitchell and Boettke. 2017. *Applied Mainline Economics*, Chapter 6.

Tollison, Robert D., and Richard E. Wagner. 1991. "[Romance, Realism and Economic Reform](#)." *Kyklos* 44(1): 57–70.

Leeson, Peter T., and Peter J. Boettke. 2009. "[Two-Tiered Entrepreneurship and Economic Development](#)." *International Review of Law and Economics* 29(3): 252–259.

Holcombe, Randall G. 2018. "[The Coase Theorem, Applies to Markets and Government](#)." *The Independent Review: A Journal of Political Economy* 23(2): 249-266.

8. Collective Action, Polycentricity and Federalism (October 31)

Ostrom, Vincent, Charles M. Tiebout, and Robert Warren. "The Organization of Government in Metropolitan Areas: A Theoretical Inquiry," in *Polycentricity and Local Public Economies*, pp. 31–51.

Ostrom, Vincent. "Polycentricity I," in *Polycentricity and Local Public Economies*, pp. 52–74.

Ostrom, Vincent. "Polycentricity II," in *Polycentricity and Local Public Economies*, pp. 119–138.

Boettke, Peter J., Jayme S. Lemke, and Liya Palagashvilli. 2016. "[Re-evaluating Community Policing in a Polycentric System](#)." *Journal of Institutional Economics* 12(2): 305–325.

Lemke, Jayme S. 2016. "[Interjurisdictional Competition and the Married Women's Property Acts](#)." 166 (3/4): 291–313.

9. Collective Action and Entrepreneurship (November 7)

LITERATURE REVIEW DUE

Ostrom, Elinor C. 2010. "Beyond Markets and States: Polycentric Governance of Complex Economic Systems." *The American Economic Review* 100(3): 641–672.

Chamlee-Wright, Emily and Virgil Henry Storr. 2011. "[Social Capital, Lobbying and Community-based Interest Groups](#)." *Public Choice* 149(1-2): 167–185.

Sobel, Russell S., and Peter T. Leeson. 2006. "Government's Response to Hurricane Katrina: A Public Choice Analysis." *Public Choice* 127(1/2): 55–73.

Sobel, Russell S., and Peter T. Leeson. 2007. "The Use of Knowledge in Natural-Disaster Relief Management." *The Independent Review: A Journal of Political Economy* 11(4): 519–532.

10. The Economics of Time and Macroeconomic Policy (November 14)

Powell, Benjamin W. 2002. "Explaining Japan's Recession." *The Quarterly Journal of Austrian Economics* 5(2): 35–50.

Mises, Ludwig von. 1936 [1996]. "[The 'Austrian' Theory of the Trade Cycle](#)." In Richard M. Ebeling, ed. *The Austrian Theory of the Trade Cycle and Other Essays*. Auburn, AL: Ludwig von Mises Institute, pp. 25-35.

Wagner, Richard E. 1977. "[Economic Manipulation for Political Profit: Macroeconomic Consequences and Constitutional Implications](#)." *Kyklos* 30(3): 395–410.

11. No class, November 21, Thanksgiving Break

12. Final Exam (November 28)

COURSE STRUCTURE & GRADING:

Courses will be a mix of lecture and open discussion. Students are responsible for taking notes. If a student misses class, it is their responsibility to obtain the lecture notes from a classmate.

Your final grade is based on a policy question outline (5%), a literature review (10%), a final paper (25%), midterm exam (25%), and a final exam (35%).

A. Exams

Midterm exam: The midterm exam will be administered on September 26, 2023. The exam will include *all* material covered up until that point in time.

Final exam: The final exam will be administered on Tuesday, November 28, 2023. The final exam is comprehensive and will include all material covered throughout the semester.

B. Writing Assignment

For grading purposes, you will be expected to:

- Submit a policy question and a 1-2 page extended abstract outlining your approach to answer your policy question by 11:59 pm on October 3rd, 2023.
- Submit your 3-4 page literature review on your policy question by 11:59 pm on November 7th, 2023.
- Submit your 15-20 page paper by 11:59 pm on December 12th, 2023.

In the process of writing your policy brief, keep the following questions in mind:

- What makes a question appropriate for your research agenda?

- What is the existing research that informs this research question?
- How does the existing literature provide a logical context for this new addition to the field? (How can your research contribute to our understanding of an important problem? Is it new? Does it provide important empirical confirmation of an existing theory or challenge that existing theory? etc.)
- How (and to what audience) would you present the results of this research?

We will discuss the details of each assignment throughout the course as assignments are upcoming. For a general guide to all sorts of writing in the Social Science, I find the USC Writing Center's guide very helpful for all sorts of projects. The link is here:

<http://libguides.usc.edu/writingguide/purpose>

For examples of policy briefs as templates you can use to draft your own, see the following:

de Rugy, Veronique, and Todd Zywicki. 2020. "[The Difficult Path to State Bankruptcy.](#)"

Bourne, Ryan. 2019. "[How 'Market Failure' Arguments Lead to Misguided Policy.](#)"

SPECIAL ACCOMODATIONS:

If you require any special accommodations, please see me immediately following the first class so that we can work together to make sure that you have what you need to succeed in this course.

ACADEMIC DISHONESTY:

I have no problem with students studying together and preparing for exams as a group. However, all work submitted under your name must be your own and must be completed according to the rules and requirements outlined on the exam or assignment. Any evidence that you are representing someone else's work as your own or allowing someone else to use your work will result in a failing for the course. If I suspect you of cheating, I will seek the appropriate punishment under George Mason University guidelines. Please review the [George Mason University Honor System and Code.](#)