PPPA 6014 (Sections 10 and 12)  
ECONOMICS IN POLICY ANALYSIS  
Spring, 2013

PPPA 6014.10 (CRN 24776) Tuesday, 3:30-6:00, MPA 305  
PPPA 6014.12 (CRN 25573) Wednesday, 6:10-8:40, Rome 201

Professor: Gerald W. Brock  
The George Washington University  
805 21st Street NW, Room 611 (Media and Public Affairs Building)  
Washington, D.C. 20052  
Phone: (202) 994-3989  
e-mail: gbrock@gwu.edu

Office hours: Tuesday 2:00-3:00 PM  
Wednesday 4:00-5:00 PM  
and by appointment

Prerequisites

Students in this course should have completed either Economics 6217 or a comparable course in intermediate microeconomic theory. PPPA 6003 (the MPA economics course) is an acceptable prerequisite course, but it does not develop the technical detail and problem practice that Econ 6217 does. Students with PPPA 6003 as their economic background should expect to work extra problems and carefully develop their knowledge of the portions of the textbook marked as review. Student with limited background in economics may find it useful to explore the MIT Principles of Microeconomics course available on MIT’s open courseware (see http://ocw.mit.edu/courses/economics/14-01sc-principles-of-microeconomics-fall-2011/) While that course is designed as a “principles” rather than an “intermediate theory” course, it covers the relevant material in considerable detail and contains video lectures for the primary course material and for working out sample problems. Because that course is designed for MIT students, it uses more math than is required for this course. All students should take the “Initial Assessment” test found in the “Testing” section of the Blackboard site for this course as soon as feasible and preferably before the first class session. The test does not count toward your grade, but you should take it seriously and review the relevant material in your textbook or previous course notes as necessary while you take the test. You should use your results to guide your efforts in the early part of the course. If you score less than 50 percent, you probably don't belong in this course and you should either drop the course or discuss with me why you think you will be able to successfully complete the course. If you score between 50 and 75 percent, you should plan on exerting extra effort on the review and reinforcement section at the beginning of this course in order to prepare yourself for the more complex material later in the course. If you score 75 percent or above, you should be adequately prepared for this course.
Learning Objectives

This course is designed to develop your ability to use economic concepts to analyze and evaluate the effects of public policy. This course will review and further develop concepts that you have already encountered in your earlier microeconomic theory course in addition to introducing new concepts and providing a variety of policy applications. As a result of taking the course students should master three learning objectives:
(1) Reinforce and extend previous knowledge of the basic tools and concepts of intermediate microeconomic analysis and welfare economics
(2) Learn how to apply these tools to analyze the effects of public policies
(3) Learn how to apply these tools to evaluate the effects of public policies

Required Textbook


Recommended Second Textbook


Optional Supplementary Book


Note on Readings:

The Pindyck and Rubinfeld book (abbreviated as P&R in the assignments) is the primary textbook for the course. Used copies are available from online resellers such as Amazon. I have retained the 7th edition even though there is an 8th edition available because used 7th editions are substantially cheaper than new 8th editions and I don't think the updates in the new edition add significant value. If you already have an 8th edition or an old 6th edition, you are welcome to use those, but you should borrow a 7th edition and note any differences in chapter or section numbering so that you are reading the assigned material. The GW bookstore will only stock the new edition and therefore you should obtain the textbook elsewhere. Some of you may have already used that book in your microeconomic theory course (Econ 6217 or equivalent) and may erroneously assume that this course is simply a repeat of your earlier economics. The book contains substantially more material than can be reasonably mastered in a one-semester course. In this course, you will carefully read sections of the book that you probably did not cover in detail (if at all) in your earlier course and will also review briefly chapters that cover topics that I assume you have studied earlier. It is rare for students to be able to fully utilize and apply basic microeconomics to policy problems after their first course in
microeconomic theory and consequently it is important to reinforce the concepts and practice applying them to policy issues.

Weimer and Vining (abbreviated as WV in the assignments) is a very useful supplement that emphasizes the use of economics in policy analysis. I have assigned the current 5th edition, but you are welcome to use an older edition if you have one available. There are only minor changes between the 4th edition of 2005 and the 5th edition of 2011. The Weimer and Vining discussion is clear and directly related to policy analysis, but does not provide the level of technical detail that is needed in this course. You may find it useful to read the Weimer and Vining sections as an introduction to the more detailed treatment in the P&R textbook and to introduce some policy applications of the material.

The Weimer and Vining discussion is clear and directly related to policy analysis, but does not provide the level of technical detail that is needed in this course. You may find it useful to read the Weimer and Vining sections as an introduction to the more detailed treatment in the P&R textbook and to introduce some policy applications of the material.

The optional Klein and Bauman cartoon book is an easy but accurate introduction to microeconomic concepts. No one is required to purchase or read this book, but its cartoon perspective (including characters who propose typical errors in economic reasoning) may help you understand key concepts that sometimes get lost in the technical detail of typical microeconomic theory courses.

Required readings that are not included in the textbook will be made available through Blackboard. I will also use Blackboard to communicate with the class. Each student must have a gwu.edu e-mail address because Blackboard only recognizes those addresses. [If you have a staff gwu email address instead of a regular student email address, be sure that you are correctly receiving email through Blackboard. Some students who work for GW have encountered difficulties with Blackboard communications.]

Course Requirements and Grading

I am trying to develop two distinct types of skill in this course: (1) skill in using economic tools to derive precise answers to clearly defined problems; (2) skill in applying economic reasoning to illuminate poorly defined or complex policy problems. The development of both skills requires extensive practice. The first skill will be developed through problems that require you to work out specific answers to precisely defined problems. I will assign four problem sets that everyone should complete and additional problems as necessary for those who need more practice. The problem sets will not be collected or graded, but each of the four required problem sets will be followed by a quiz (to be taken online through Blackboard) that consists of a modified version of a portion of the problem set. The quizzes are designed so that you can get the correct answers easily if you have carefully worked out the answers to the problem set but they may appear difficult if you have ignored the problem set. I encourage you to work together in groups to develop answers to the problem sets, but the quizzes based on those problem sets must be taken individually. Students who have limited background in economics (i.e. those who took PPPA 6003 instead of Econ 6217 or those who took a microeconomic theory course some time ago or did poorly in it) will need more practice on problems than is provided by the problem sets that I assign to the whole class. There are many additional problems in the textbook and I can provide additional problems on request, but you should be sure that you get adequate practice to master the material. Your ability to derive precise answers to clearly defined problems will be evaluated by
the four quizzes based on the problem sets and by an exam. The quizzes and exam will be open book, but must be completed individually without collaboration with others.

The second skill requires analysis and synthesis of diffuse and sometimes contradictory material and is best developed and evaluated through essays. You should practice your analytical skills by writing out brief responses to each of the assigned non-textbook readings (what are the author’s main points? How well supported are those points? How does this author's analysis agree or disagree with other readings or the textbook? How could this author's analysis be used in a policy problem?) I will not collect these evaluations, but I will ask you to share your insights on the readings in class discussion. Your ability to apply economic reasoning to illuminate policy problems will be evaluated by the preparation a paper. The paper should be approximately ten pages long (double spaced, 12 point type) and is due on the first day of the final exam period (May 6). Although the paper is primarily planned as an individual project, two or three students may choose to work together to produce a longer more sophisticated joint paper. See the separate paper description for more details on my expectations regarding the paper.

Course grades will be composed by weighting the four quizzes at 5% each for a total of 20%, the exam at 40%, and the paper at 40%.

This class will be a mixture of lecture, discussion, and interactive exercises. It is important that you attend all classes, arrive on time, and read the assigned material before class so that you may contribute your insights to the class discussion and learn from the insights of other students. If you must miss a class, you should send me an email in advance of the class to let me know that you will be absent.

You are, of course, responsible for following GW’s Code of Academic Integrity and all other relevant policies and regulations of the university, CCAS, and the Trachtenberg School. Please note that the CCAS policy regarding the grade of incomplete is quite restrictive and that consequently I only assign a grade of “I” in exceptional circumstances. The appendix to this syllabus summarizes the policies that apply to all Trachtenberg School courses.

COURSE OUTLINE AND SCHEDULE

I expect to cover the same material in both sections each week and if you are unable to attend your section for a particular week you should attend the other section if feasible. The schedule below is my current plan for the course. I may make minor modifications to the schedule or to assigned readings, but will not make any major changes. The only scheduled interruption in consecutive class meetings is the GW spring break (March 11-15) after the 8th week of class.

Occasionally winter weather causes an unplanned interruption in spring semester schedules. If the weather makes class questionable, check the university status at the GW advisories web site (http://CampusAdvisories.gwu.edu/). You should also be signed up for the GW Alert system and that should provide you with a message if the university is closing. If the university is open, we will have class (though of course you should use your own judgment regarding whether it is safe for your own circumstances and travel requirements.)
Part I: Introduction and Review/Reinforcement of the Basic Model

1. Jan. 15-16 Perspectives on Markets and Public Policy
   Optional: WV, Chapters 1 and 2.
   Take “Initial Assessment” in Testing section of Blackboard before class.

2. Jan. 22-23 – Consumer Choice and Price Indices
   P&R, chapter 4 (including 4.6 but not mathematical appendix) plus 5.5
   Review P&R, chapter 2 and 3.1-3.6, especially elasticity, supply-demand equilibrium, and price indices.

3. Jan. 29-30 – Production, costs, and firm choices
   P&R, 7.6 and 7.7
   Review P&R, chapters 6, 7.1-7.5, 8, and 9. [This is a large amount of material, but most of it should be review. Be sure you understand production functions, cost minimization requirements, types of costs including private and social opportunity costs, competitive profit maximizing conditions, and how changes in cost and/or demand change the competitive market equilibrium].
   Quiz 1 on Problem Set 1 due Monday, Feb. 4.

4. Feb. 5-6 – Efficiency in Partial and General Equilibrium
   P&R, chapter 16
   Review P&R, 10.1-10.4 and 11.1-11.4
   WV, Chapter 4

Part II: Extensions to the Basic Model

   Quiz 2 on Problem Set 2 due on Tuesday, Feb. 19

6. Feb. 19-20 – Allocation Over Time
   P&R 15.1-15.8

P&R, chapter 13 (including 13.8)

Quiz 3 on Problem Set 3 due Monday, March 4

8. March 5-6 - Commons Management

GW Spring Break – March 11-15 – No Class

9. March 19-20 - Asymmetric Information and Moral Hazard
P&R, 5.1-5.4 and chapter 17 (including 17.5)
Optional: Joseph Stiglitz, "Information and the Change in the Paradigm in Economics" AER June 2002 (Nobel lecture).

Quiz 4 on Problem Set 4 due Monday, March 25.

10. March 26-27 - Information (continued)
Eric Zitzewitz, “Forensic Economics,” Journal of Economic Literature, Sept. 2012, 731-769. [The Zitzewitz article is not technical but is long and detailed. Be sure that you read sections 1, 3, and 4 and that you read the introduction to section 2 and as much of the remainder of that section as you find useful.]
Exam posted Thursday, March 28

11. April 2-3 – Work on Exam – No class meeting unless needed for make-up
   EXAM DUE Wednesday, April 3

Part III: Policy Case Studies [Note: The reading assignments for this part will be
determined after I assess class interests.]

12. April 9-10 - Focus on Papers
   Paper guidelines
   Sample papers
   Discussion of topics

   Paper topic and description due Monday, April 15 (submit through
   Blackboard)

13. April 16-17 – Policy Case Study

14. April 23-24 – Policy Case Study

FINAL PAPER DUE – Monday, May 6 (First day of exams)

APPENDIX: TRACHTENBERG SCHOOL CLASS POLICIES

1. Incompletes: A student must consult with the instructor to obtain a grade of I
   (incomplete) no later than the last day of classes in a semester. At that time, the
   student and instructor will both sign the CCAS contract for incompletes and submit a
   copy to the School Director.
   Please consult the TSPPPA Student Handbook or visit
   http://www.gwu.edu/~ccas/faculty/files/Incomplete_pol0.pdf for the complete CCAS
   policy on incompletes.

2. Submission of Written Work Products Outside of the Classroom: It is the responsibility
   of the student to ensure that an instructor receives each written assignment. Students
   can submit written work electronically only with the express permission of the
   instructor.

3. Submission of Written Work Products after Due Date: Policy on Late Work: All work
   must be turned in by the assigned due date in order to receive full credit for that
   assignment, unless an exception is expressly made by the instructor.

4. Academic Honesty: All examinations, papers, and other graded work products and
   assignments are to be completed in conformance with the George Washington
   University Code of Academic Integrity. (see http://www.gwu.edu/~ntegrity/code.html)
Note especially the definition of plagiarism: “intentionally representing the words, ideas, or sequence of ideas of another as one’s own in any academic exercise; failure to attribute any of the following: quotations, paraphrases, or borrowed information.”

5. **Changing Grades After Completion of Course**: No changes can be made in grades after the conclusion of the semester, other than in cases of clerical error.

6. **The Syllabus**: This syllabus is a guide to the course for the student. Sound educational practice requires flexibility and the instructor may therefore, at her/his discretion, revise content and requirements during the semester.

7. **Accommodation for Students with Disabilities**: In order to receive accommodations on the basis of disability, a student must give notice and provide proper documentation to the Office of Disability Support Services, Rome Hall 102, 202-994-8250. Accommodations will be made based upon the recommendations of the DSS Office.

8. **University Counseling Center**: The University Counseling Center (UCC), 202-994-5300, offers 24/7 assistance and referral to address students' personal, social, career, and study skills problems. Services for students include:
   - crisis and emergency mental health consultations
   - confidential assessment, counseling services (individual and small group), and referrals
   [http://gwired.gwu.edu/counsel/CounselingServices/AcademicSupportServices](http://gwired.gwu.edu/counsel/CounselingServices/AcademicSupportServices)