

Trachtenberg School of Public Policy and Public Administration
PPPA 6014.10 – Microeconomics for Public Policy II
Fall 2020
(UPDATED 8/28)

Who am I and where can you find me?

Anil Nathan (anathan@gwu.edu , 202-994-0982)

Class Time and Location:

PPPA 6014.10: Thursday 6:10pm-8:00pm

Office: Media and Public Affairs 601L (Online this semester)

Office Hours (subject to change): TBA (See Blackboard)

Who is here to help?

Graduate Assistant: Connor Delaney (connorfd@gmail.com)

What you need to know beforehand?

Prerequisites: PPPA 6007

<http://www.leahbrooks.org/leahweb/teaching/pppa6007/2019/subpages/lectures.html>

or a comparable course.

Course Description:

Is universal basic income a panacea? Why is social distancing so hard under current American public policy and how can it be improved? What groups do not like international trade and why?

We will address these questions and more as we progress through this course. You will learn to “think like an economist” when analyzing and evaluating public policy.

Building on the theory from PPPA 6007 (the pre-requisite to this course), you will explore new concepts and apply both new and previously learned economic theory to analyze and make recommendations on practical policy questions (such as the ones listed above). You will clearly and thoroughly write a policy memo that uses economics as its core rationale, which is a skill often used in the policy world. If done well, you have a great writing sample or potential publication. Along the way, you will assess the efficiency and equity of various policies on relevant stakeholders.

Goals: In 3-5 years, I hope you will...

- Use rigorous economic theory to analyze public policy. That is THE MAIN Goal of the class.
- Comprehend economic jargon when you hear it.
- Write clear, concise, and technically accurate policy memos.
- In evaluation of policies, think about both efficiency and equity considerations.

Objectives: By the end of the course, you will...

- Describe how prices can change incentives
- Master how optimizing behavior leads to different policies
- Employ proper terminology in problem sets, exams, and a policy brief.
- Write clear, concise, and technically accurate policy memos (The objective and goal are the same).
- Classify the various stakeholders of public policy
- Determine if the stakeholders benefit or lose from policy changes.



As you can see from the cartoon above, trying to quantify a social science such as economics can be a risky endeavor. You will see that there can be many contradictions. You will learn to identify and try to explain these contradictions with (often competing) models. Unlike PPPA 6007 (the pre-requisite to this course), you will not be doing as much calculation. While good for intuition, the calculations you performed in PPPA 6007 are not the methods used by economists in the real world, where much more complex mathematics (i.e. calculus, etc) is needed. Instead, you will learn to broadly explain or predict the results of policy using the intuition of these models. Mathematics will be used, but answers will often be abstract. However, the skill of broadly explaining policy results or predictions using economic models will be very useful to you in future analytical endeavors (and to avoid being hoodwinked by economists)!

What materials will be used?: The main source of the notes (available a few weeks in advance of the class period) and the recommended textbook of the course is Thomas Nechby's *Microeconomics, An Intuitive Approach* (2nd edition). The notes are based on the book, so you do not necessarily need the textbook to review the material. However, the book does have additional practice questions that you may find useful. I provided 2 copies of the book to the D/E/I bookshare. You can use another intermediate text (including but not limited to

Goalsbee et al's **Microeconomics** that is used in PPPA 6007) as a substitute as well. You will also be assigned readings from journal and popular press articles that will supplement the theory outlined in the textbook. These readings will be available on blackboard 1 week in advance.

What will class be like? Classes will consist of first going over the main points of the relevant book readings and notes for the day (60-80 minutes). **Please look at the notes in advance** (Disclaimer: I do like to tinker with the notes up to the last minute, so if what is presented in class is not exactly I put on blackboard days before, do not worry. It will be very close to the same). Some of the notes are review from PPPA 6007, so we will not cover all of the notes in detail in class, but they are there for your reference outside of class. However, you are encouraged to ask questions on any of the material, whether we cover it in class or not, and you are responsible for ultimately understanding all the material on the notes. The remainder of the time will be spent on practice questions, additional readings, class discussions, and simulations (i.e. games) related to the economic theories covered and how they relate to public policy. **Since this class is online, please have access to Blackboard with a microphone and camera (at times) ready.**

How will the goals and objectives be assessed?

Reading Reactions: For indicated external readings, there will be very short (1 paragraph reaction essays. You will need to briefly discuss the topics and conclusions/opinions of the readings along with your reaction to them. These are very informal, and really used as a tool to ensure that you read what is assigned so we can have good classroom discussions. If assigned a very technical economic piece, I will direct you on what is important to read. These will be submitted through Blackboard and due on the day of class. Note that there will sometimes be a 1 class lag between the topics presented in the notes and when the relevant readings are assigned so that you are exposed to the notes in class first before reading.

Problem Sets: There will be approximately 6 problem sets assigned (approximately 4 will be graded). While you have less problem sets than PPPA 6007, each problem set is longer. You are encouraged to work together, but you must submit your own work. Consider these assignments as a low-stakes way to assess your mastery of the material. We will go over how to do some of the questions in class, but some questions will have you combine some concepts discussed in class and on the notes. This is by design to test you (once again, in a low-stakes way) to see if you can apply multiple concepts in a new situation. Please seek as much help as you need on the problem sets!

Exams: There will be a take-home midterm and a take-home final exam (cumulative). You will have about 1 week to work on each one. The date of the

final exam will be around 1 week after the last class. The tentative dates for each of these exams is listed later on in the syllabus.

Policy Brief: There will a policy brief in which you will develop and present an economic analysis of a policy issue chosen by you. This will be due near the end of the final exam period. This will involve the submission of an abstract early in the semester regarding your idea(s). Please see the document on Blackboard regarding this paper.

Class Participation: As Woody Allen says, 80% of life is showing up. The other 20% (for our purposes) is being a good class citizen and doing your best to add to class discussions. Attendance will be taken at classes. However, things of course come up, so absences with legitimate reasons (illness, family, work travel, etc) are accepted.

Grading: Problem Sets (15%)
Reading Reactions (5%)
Midterm Exam (22.5%)
Final Exam (27.5%)
Proposal/Abstract of Policy Brief (5%)
Final Policy Brief (20%)
Class Participation (5%)

The course weighted average will be calculated and letter grades assigned approximately through the following rules:

A: Top 15-20% of the class; A-: Next 25-30% of the class; B+: Next 25-30% of the class; B and below: Bottom 15-20% of the class.

However, your grade will go up in your favor if your course weighted average falls in the following ranges.

A: 93.00-100.00; A-: 90.00-92.99; B+: 87.00-89.99; B: 83.00-86.99; B- and below: <83.00

Tentative Class Schedule and Readings

Class	Date	Topic and Questions	Nechyba Book Chapters	Additional Readings
1	September 3	Introduction; Review of Budgets, Tastes, and Optimization Questions: How can you define rationality? What does your economic self think about when making decisions?	2,4-6 (Keywords: Tastes, Preferences, Indifference Curves, Budgets, Optimization)	None
2	September 10	Income and Substitution Effects; Grants and Transfers Questions: How do prices subconsciously affect decisions? Is throwing money from a helicopter better than subsidizing a specific good?	7 (Keywords: Income and Substitution Effects)	TBA on Blackboard
3	September 17	Labor Market Decisions Questions: How do we decide how much we work? Will you work more or less with higher wages?	3.1, 8.1-8.2, 9.1-9.2 (Keywords: Labor Supply, Labor/Leisure Choice, Income/Substitution Effects in Labor Markets)	TBA on Blackboard
4	September 24	Intertemporal Consumption Questions: Why do Americans save so abysmally? Will lowering interest rates increase student debt?	3.2,3.3,8.3 (Keywords: Intertemporal Consumption, Interest Rates, Saving, Borrowing)	TBA on Blackboard
5	October 1	Consumer Surplus, Producer Surplus, and First Welfare Theorem Questions: Can free markets for human organs work? How can we measure how much society is willing to pay for green energy?	10,15 (Keywords: Welfare, Willingness to Pay, Consumer Surplus, Producer Surplus, First Welfare Theorem)	TBA on Blackboard
6	October 8	Surplus in Competitive Markets Questions: Who wins and loses in a trade war? Can a minimum wage increase employment?	18-20 (Keywords: Price Ceilings, Price Floors, Taxes, Subsidies, Tariffs, Quotas, Immigration, Outsourcing)	TBA on Blackboard
7	October 15	Externalities and Public Good Theory Questions: Is global warming the result of the greatest market failure in human history? Is "privatization" a dirty word?	21,27 (Keywords: Externalities, Pigouvian Taxes/Subsidies, Permits, Public Goods, Free-Riders, Preference Revelation)	TBA on Blackboard

8	October 22	Externalities and Public Good Theory Contd. Questions: Why do we need a government at all? Why are we lazy when others are around?	21,27 (Keywords: Externalities, Pigouvian Taxes/Subsidies, Permits, Public Goods, Free-Riders, Preference Revelation)	TBA on Blackboard
9	October 29	Natural Monopolies Questions: Why are there such limited choices for energy consumption? Should regulations induce profits?	23.1, 23.3 (Keywords: Monopoly, Natural Monopolies, Regulation of Monopolies)	TBA on Blackboard
10	November 5	Asymmetric Information Questions: Why was the Affordable Care Act so difficult to sustain? Does "driver monitoring" enhance consumer welfare?	22 (Keywords: Asymmetric Information, Adverse Selection, Moral Hazard, Statistical vs. Preference Based Discrimination)	TBA on Blackboard
11	November 12	Statistical Discrimination Game Question: Does stereotyping enhance efficiency or crush markets?		TBA on Blackboard
12	November 19	Government and Politics & Behavioral Economics Questions: Why are such extreme policies passed in Congress? What do economists love ranked-choice voting?	28 (Keywords: Arrow Impossibility Theorem, Condorcet Paradox, Chicago School, Virginia School)	TBA on Blackboard
13	December 3	Behavioral Economics and Game Theory Questions: Why do we procrastinate on so many things? Can an opt-out retirement account actually increase savings over an opt-in one?	29 (Keywords: Present Bias, Self-Control, Libertarianism Paternalism)	TBA on Blackboard
14	December 10	Game Theory Continued Why is social distancing so hard? Why do nuclear weapons proliferate even if we do not want them?	24 (Keywords: Nash Equilibrium, Simultaneous Games, Sequential Games, Complete vs Incomplete Information.)	TBA on Blackboard

Tentative Assignment Due Dates PPPA 6014 Fall 2020	
Problem Sets	
Problem Set 1	Tuesday, September 22
Problem Set 2	Thursday, October 8
Problem Set 4	Friday, November 13
Problem Set 5	Friday, December 4
(Problem Sets 3 and 6 are for practice only just before the midterm and final)	
Exams	
Midterm	Friday, October 23
Final	Monday, December 14
Policy Brief	
Policy Brief Proposal/Abstract	Monday, October 12
Policy Brief	Sunday, December 20

UNIVERSITY AND TRACHTENBERG SCHOOL CLASS POLICIES

In accordance with GW policy, this three-credit course is expected to require a minimum 112.5 hours of work (average of 7.5 hours per week over the 15-week semester). Class sessions are 110 minutes per week. Most of the time will be required for the extensive assigned reading, work on problem sets, preparation for and taking the midterm and the final exam, and the preparation of the final paper. The specified minimum of 112.5 hours is the standard level for three-credit courses but most students find this course harder than average and should expect to spend the necessary additional time to master the material and prepare a high-quality paper.

Trachtenberg School Civility Statement

Higher education works best when it becomes a vigorous and lively marketplace of ideas in which all points of view are heard. Free expression in the classroom is an integral part of this process. At the same time, higher education works best when all of us approach the enterprise with empathy and respect for others, irrespective of their ideology, political views, or identity. We value civility because that is the kind of

community we want, and we care for it because civility permits intellectual exploration and growth.

University policy on observance of religious holidays

In accordance with University policy, students should notify faculty during the first week of the semester of their intention to be absent from class on their day(s) of religious observance. For details and policy, see: students.gwu.edu/accommodations-religious-holidays.

Academic integrity code

Academic dishonesty is defined as cheating of any kind, including misrepresenting one's own work, taking credit for the work of others without crediting them and without appropriate authorization, and the fabrication of information. For details and complete code, see: studentconduct.gwu.edu/code-academic-integrity

Safety and security

In the case of an emergency, if at all possible, the class should shelter in place. If the building that the class is in is affected, follow the evacuation procedures for the building.

After evacuation, seek shelter at a predetermined rendezvous location.

Support for students outside the classroom Disability Support Services (DSS)
Any student who may need an accommodation based on the potential impact of a disability should contact the Disability Support Services office at 202-994-8250 in the Rome Hall, Suite 102, to establish eligibility and to coordinate reasonable accommodations. For additional information see: disabilitysupport.gwu.edu/

Mental Health Services 202-994-5300

The University's Mental Health Services 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. For additional information see: counselingcenter.gwu.edu/

Additional Trachtenberg School 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_poli0.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.

Additional Information

At a recent meeting of the GW Faculty Senate, President Thomas LeBlanc remarked that on the GWU campus, it is graduate students more so than undergraduates who encounter the issues with food security and even homelessness. With that in mind, the following GWU resources are listed below for your reference

Any student who faces challenges affording groceries or accessing sufficient food to eat everyday, who lacks a safe and stable place to live, and believes this may affect their performance in class is encouraged to contact the Dean of Student Affairs for support.

Furthermore, please contact your Professor if you feel comfortable doing so. This will enable her/him to provide resources she/he may know about.

Other resources you may find helpful.

- *Food Pantry on Campus* - students.gwu.edu/store
- *Emergency Funding* - financialaid.gwu.edu/emergency-funding
- *Mental Health Counseling* - healthcenter.gwu.edu/mental-health

Use of Electronic Course Materials and Class Recordings. Students are encouraged to use electronic course materials, including recorded class sessions, for private personal use in connection with their academic program of study. Electronic course materials and recorded class sessions should not be shared or used for non-course related purposes unless express permission has been granted by the instructor. Students who impermissibly share any electronic course materials are subject to discipline under the Student Code of Conduct. Please contact the instructor if you have questions regarding what constitutes permissible or impermissible use of electronic course materials and/or recorded class sessions. Please contact Disability Support Services at disabilitysupport.gwu.edu if you have questions or need assistance in accessing electronic course materials.

This course/lecture may be audio/video recorded. The recording will be made available to students in this class. As part of your participation in this course, you may be recorded. If you do not wish to be recorded, please contact the GW Privacy Office (privacy@gwu.edu) the first week of class (or as soon as you enroll in the course, whichever is latest) with your privacy concern.