In this course, we will be using the analytical tools of economics to study issues of public policy. My goal is for you to acquire a basic set of tools for policy analysis, as well as a better understanding of many of the public issues of our time.

**Prerequisites:** Introductory Microeconomics and an enthusiasm for issues of public policy.

**Required reading:** (1) Roger LeRoy Miller, Daniel Benjamin, and Douglass North, *The Economics of Public Issues*, 16th edition; and (2) Assigned readings available through internet links, including explanatory material I have written and links to articles in the *Economist*, etc.

**Other requirements:** Regular class attendance is important because the lectures will contain information not included in the readings. Also, we will discuss several chapters from the Miller, Benjamin and North book and news articles on a weekly basis. You will be expected to have read them in advance. You should also stay informed about current events and public policy debates by reading a good newspaper.

**Problem Sets & Pop Quizzes:** I will hand out problem sets, which are not to be turned in. However, carefully doing the problem sets (without first looking at the answers) is essential for scoring well on exams. On “Discussion Days,” which are usually held once per week, there is the possibility of an unannounced pop quiz at the start of class, consisting of 4 simple True-False questions about the readings assigned for discussion that day. The lowest pop quiz grade will be automatically dropped.

**Exams:** There will be two midterms and one final exam, scheduled as follows:

1st midterm: Friday October 23
2nd midterm: Wednesday November 18
Final exam: Friday December 11, 8:00 – 11:00 a.m.

I do not give make-up midterms. In case of serious illness or emergency, contact me before the exam to make alternative arrangements.

**Grades:**

- Quizzes: 10 %
- First Midterm: 20 %
- Second Midterm: 20 %
- Final: 50 %

**Office Hours:** My office hours are Tuesdays, 9 – 10:15 a.m. and Fridays 11:00-11:45 a.m. My office is Room 326 in the Economics Building.
Course Outline

MBN refers to Miller, Benjamin and North *The Economics of Public Issues*. Many of the online links must be accessed through UCSD. If you are off campus, you can set up a proxy server. See [http://libraries.ucsd.edu/services/computing/remote-access/index.html](http://libraries.ucsd.edu/services/computing/remote-access/index.html) for more information. If the particularly link doesn’t work, use Google to search the title, source, and date of the article.

I. Introduction

Examples of Unintended Consequences

MBN Ch. 20 “Mortgage Meltdown”

MBN Ch. 31 “The $750,000 Steel Worker”

II. Competitive Markets

A. Review of Pareto Efficiency

B. Review of Taxes


D. Current Topics

1. Drugs

   MBN Ch. 5 “Sex, Booze and Drugs.”


2. Ethanol

   MBN Ch. 2 “Ethanol Madness.”


3. Rent Control  MBN Ch.10 “Bankrupt Landlords”
III. Market Power and Natural Monopoly (Ramey “Natural Monopoly,”
http://econ.ucsd.edu/~vramey/econ130/Natural_Monopoly.pdf)

IV. Externalities

A. Market Failure

B. Private Market Solutions and the Coase Theorem

C. Government Solutions: Pigouvian Taxes and Tradeable Permits

D. Current Topics

1. Trash MBN Ch. 26 “The Trashman Cometh”

2. Junk Food “Waist Banned” The Economist July 30, 2009,

3. Pollution

   MBN Ch. 28 “Smog Merchants”

   MBN Ch. 29 “Greenhouse Economics”

   “The Invisible Green Hand,” The Economist, July 4, 2002,
   http://www.economist.com/surveys/displaystory.cfm?story_id=E1_TNDDNDV

   “Green, Easy and Wrong,” The Economist, November 6, 2008.
   http://www.economist.com/opinion/displaystory.cfm?story_id=12562343


4. Traffic “Congestion Pricing,” The Environmental Defense, April 1, 2009,
   http://www.edf.org/page.cfm?tagID=6241)
V. Public Goods

A. Market Failure

B. Optimal Provision of Public Goods

C. Current Topic: Common Property Resource Problem

MBN Ch. 27 “Bye, Bye Bison.”


“A Rising Tide” The Economist September 18, 2008,
http://www.economist.com/sciencetechnology/displayStory.cfm?story_id=12253181

“Historical Photographs Expose Decline in Florida’s Reef Fish,”

VI. Imperfect Information and Uncertainty

A. Imperfect Information

B. Uncertainty and Insurance

C. Current Topic

1. Health Care

“Patients in Florida Lining Up for All That Medicare Covers,” The New York Times September 13, 2003,
http://www.nytimes.com/2003/09/13/business/13BOCA.html?scp=1&sq=Patients%20in%20Florida%20lining%20up%20for%20all%20that%20Medicare%20covers%202003&st=cse

“So That’s Why It’s So Expensive,” Business Week August 14, 2006,
http://www.businessweek.com/magazine/content/06_33/b3997089.htm


“How To Understand Statistics,” BBC July 28, 2003, [http://www.bbc.co.uk/dna/h2g2/A1091350](http://www.bbc.co.uk/dna/h2g2/A1091350)


“Why We Worry About the Things We Shouldn’t,” *Time Magazine* November 26, 2006, [http://www.time.com/time/magazine/article/0,9171,1562978,00.html](http://www.time.com/time/magazine/article/0,9171,1562978,00.html)


VII. **Introduction to Benefit-Cost Analysis**

A. **Philosophical Basis**

B. **Valuation of Benefits and Costs: Examples**

C. **Current Topic: Safety Regulation**

   MBN Ch. 1 “Death by Bureaucrat.”
   
   MBN Ch. 3 “Flying the Friendly Skies?”
   


VIII. **Income Redistribution**
A. Introduction

B. Equity Criteria: Fairness and Rawls’ Criteria

C. Equalizing Outcomes vs. Opportunities

D. Current Topics

1. Trends in Income Inequality

MBN Ch. 13, “Immigration, Superstars and Poverty”

“The rich, the poor and the growing gap between them,” The Economist June 5, 2006
http://www.economist.com/world/displaystory.cfm?story_id=E1_SDVYJTT

“The new (improved) Gilded Age,” The Economist December 19, 2007,
http://www.economist.com/businessfinance/displayStory.cfm?story_id=E1_TDPNRJPV

“Cheap and Cheerful,” The Economist July 24, 2008,
http://www.economist.com/businessfinance/displayStory.cfm?story_id=11791427


2. Wage Differentials (MBN Ch. 11)

3. Minimum Wage (MBN Ch. 12)

4. Social Security (MBN Ch. 25)

5. Education

“Publics Schools are Cheating Children,” John Stossel January 11, 2006,
http://www.realclearpolitics.com/Commentary/com-1_11_06_JS.html

“Myth: Schools Need more Money,” John Stossel January 18, 2006,
http://www.realclearpolitics.com/Commentary/com-1_18_06_JS.html

http://online.wsj.com/public/article/SB120425355065601997-7Bp8YFw7Yv1n9bdKtVvP7KBAcJA_20080330.html

“Nobel results are indictment of schools,” Thomas Sowell October 30, 1999,
http://www.nscl.msu.edu/~tsang/CMP/nobel.html

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