

Economics 130: Public Policy

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: Econ 2 or Econ 100A and an enthusiasm for issues of public policy.

Required reading: (1) Roger LeRoy Miller, Daniel Benjamin, and Douglass North, *The Economics of Public Issues*, 17th edition; and (2) Assigned readings available through TED or internet links.

Other requirements: Regular class attendance is important because the lectures will contain information not included in the readings. I will post partial notes on TED before lecture that you should bring to class, either in hard copy or electronically. Approximately once a week, we will have “Discussion Days” where we spend part of the lecture discussing assigned readings. I will assign specific readings for those days. You will be expected to have read them in advance. You should also stay informed about current events and public policy debates.

Problem Sets & Quizzes: I will post 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 and are announced in advance, 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. I will give about 4-6 pop quizzes during the quarter. The lowest pop quiz grade will be automatically dropped. (I will not give a pop quiz the Wednesday before Thanksgiving.)

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

1st midterm: Friday October 26

2nd midterm: Monday November 19

Final exam: Wednesday December 12, 8:00 – 11:00 a.m.

I do not give make-up midterms. In case of serious illness, family emergency, or an urgent event, you must contact me before the exam (unless you are completely incapacitated) and we will talk about reweighting your other grades.

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

Office Hours: My office hours are Mondays and Fridays 10:10 – 11:10 a.m. My office is Sequoyah 250.

Academic Integrity: Integrity of scholarship is essential for an academic community. The University expects that both faculty and students will honor this principle and in so doing protect the validity of University intellectual work. For students, this means that all academic work will be done by the individual to whom it is assigned, without unauthorized aid of any kind. I have years of experience serving on the Academic Dishonesty Hearing Board and I hate the idea of cheaters getting ahead. I will report suspected cheaters and I will assess harsh penalties for confirmed cheaters.

Course Outline

MBN refers to Miller, Benjamin and North *The Economics of Public Issues*. The other readings are available through the internet or TED. Some 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> for more information. All readings are required except for those that are flagged “recommended.”

I. Introduction

Examples of Unintended Consequences

MBN Ch. 29 “The \$750,000 Steel Worker”

California Common Sense “Winners and Losers: Corrections and Higher Education in California” <http://www.cacs.org/ca/article/44> (News summary report: <http://www.nbcbayarea.com/news/local/Prison-Spending-Affecting-Higher-Education-in-California-Report-168756096.html>)

Example of Difficult Trade-offs

MBN Ch. 2 “The Economics of Oil Spills”

II. Competitive Markets

A. Review of Pareto Efficiency

B. Review of Taxes

 Watch video and read notes on TED “Review of Taxes”.

C. Aggregating Individual Supply and Demand

 Read TED Notes: “Aggregating Individual Supply and Demand”

D. Current Topics

1. Drugs

MBN Ch. 6 “Sex, Booze and Drugs.”

“The Failure of the War on Drugs” Becker-Posner Blog, March 20, 2005
http://www.becker-posner-blog.com/archives/2005/03/the_failure_of.html

2. Ethanol

MBN Ch. 26 “Ethanol Madness.”

NY Times article “After Three Decades, Tax Credit for Ethanol Expires”
<http://www.nytimes.com/2012/01/02/business/energy-environment/after-threedecades-federal-tax-credit-for-ethanol-expires.html>

3. Rent Control

 MBN Ch.10 “Bankrupt Landlords”

4. Agricultural Subsidies

MBN Ch. 22 “Raising Less Corn and More Hell”

NY Times article “While Warning about Fat, U.S. Pushes Cheese Sales”
<http://www.nytimes.com/2010/11/07/us/07fat.html/?pagewanted=all>

Recommended: “King Corn” documentary movie (1997)

Recommended: Planet Money’s “Why Taxpayers Pay for Farmers’ Insurance”
(listen)

<http://www.npr.org/blogs/money/2012/08/14/158787593/episode-394-whytaxpayers-pay-for-farmers-insurance>

III. Market Power and Natural Monopoly

TED notes: “Natural Monopoly”

Washington Post blog: “More states privatizing their infrastructure. Are they making a mistake?”

http://www.washingtonpost.com/blogs/ezra-klein/post/more-states-privatizing-their-infrastructure-are-they-making-a-mistake/2012/03/31/gIQARtAhnS_blog.html

Slate article: “Infrastructure Price Shouldn’t Maximize Profits”

http://www.slate.com/blogs/moneybox/2012/04/02/infrastructure_privatization_leads_to_bad_prices.html

MBN Ch. 18 “Keeping the Competition Out”

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. Miscellaneous examples

New Yorker article: “Downsizing Supersize”

http://www.newyorker.com/talk/financial/2012/08/13/120813ta_talk_surowiecki

The Atlantic article: “All the Spammers in the World May Only Make \$200 Million a Year”

<http://www.theatlantic.com/technology/archive/2012/08/all-the-spammers-in-the-world-may-only-make-200-million-a-year/260814/>

2. Pollution

MBN Ch. 25 “Greenhouse Economics”

The Economist article: “Capped”

<http://www.economist.com/node/16693293>

The Economist article: “The Invisible Green Hand”

<http://www.economist.com/node/1200205>

Reuters article: “California weighs giving away more CO2 permits”

<http://www.reuters.com/article/2012/08/01/us-california-carbon-idUSBRE8700BS20120801>

V. Public Goods

A. Market Failure

B. Optimal Provision of Public Goods

C. Current Topics

1. Common Property Resource Problem

MBN Ch. 24 “Save that Species”

“A Tale of Two Fisheries,” *New York Times Magazine* August 27, 2000

<http://www.nytimes.com/2000/08/27/magazine/a-tale-of-twofisheries.html?pagewanted=print&src=pm>

“A Rising Tide” *The Economist* September 18, 2008,

<http://www.economist.com/node/12253181>

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

http://www.eurekalert.org/pub_releases/2009-02/uoc--hpe021709.php

2. Miscellaneous public goods topics

“Congestion Pricing,” *The Environmental Defense*, April 1, 2009,

<http://www.edf.org/page.cfm?tagID=6241>)

Planet Money’s “Lighthouses, Autopsies, and the Federal Budget” (listen)

<http://www.npr.org/blogs/money/2012/02/14/146889446/the-tuesday-podcastlighthouses-autopsies-and-the-federal-budget>

VI. Imperfect Information and Uncertainty

A. Imperfect Information

B. Uncertainty and Insurance

C. Current Topic

1. Health Care

MBN Ch. 19 “Health Care Reform”

“U.S. Health Care ‘fraught with waste,’ Experts Say,” *Washington Post*, November 30, 2008 <http://www.washingtonpost.com/wp-dyn/content/article/2008/11/29/AR2008112902182.html>

Recommended: “How American Health Care Killed My Father,” David Goldhill, *The Atlantic Online*, September 2009, <http://www.theatlantic.com/doc/200909/health-care>

“Why We Must Ration Health Care,” *The New York Times* July 19, 2009, <http://www.nytimes.com/2009/07/19/magazine/19healthcare-t.html?scp=1&sq=why%20we%20must%20ration%20health%20care&st=cse>

“Spending More Doesn’t Make Us Healthier,” *The New York Times* <http://opinionator.blogs.nytimes.com/2011/10/27/spending-more-doesnt-makeus-healthier/>

“What we give up for health care,” *The New York Times* <http://opinionator.blogs.nytimes.com/2012/01/21/what-we-give-up-for-health-care/>

Recommended: “How to Stop Hospitals from Killing Us,” on TED.

2. “Lies, Damn Lies, and Statistics”

“How To Understand Statistics,” BBC July 28, 2003, <http://www.bbc.co.uk/dna/h2g2/A1091350>

“In praise of Bayes,” *The Economist* September 28, 2000, http://www.economist.com/sciencetechnology/displayStory.cfm?story_id=E1_PRNJGR

“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>

John Stossel “The Kidnapping Hysteria.” http://www.realclearpolitics.com/articles/2007/03/the_kidnapping_hysteria.html)

“The Death Penalty,” <http://bpp.wharton.upenn.edu/jwolffers/Press/DeathPenalty%28BEP%29.pdf>

VII. Introduction to Benefit-Cost Analysis

A. Philosophical Basis

B. Valuation of Benefits and Costs: Examples

C. Benefits and Costs Realized at Different Times TED notes “Present Values”

D. Current Topic: Safety Regulation

MBN Ch. 1 “Death by Bureaucrat.”

MBN Ch. 4 “Flying the Friendly Skies?”

Malcolm Gladwell, “Big and Bad: How the S.U.V. Ran Over Automotive Safety,” August 12, 2004, http://www.gladwell.com/2004/2004_01_12_a_suv.html)

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”

“Striking it Rich,” <http://elsa.berkeley.edu/~saez/saez-UStopincomes-2010.pdf>

“What the top 1% of earners majored in,” <http://economix.blogs.nytimes.com/2012/01/18/what-the-top-1-of-earners-majored-in/>

“The new (improved) Gilded Age,” *The Economist* December 19, 2007, <http://econ.ucsd.edu/~vramey/econ130/protected/index.html>

“Cheap and Cheerful,” *The Economist* July 24, 2008, <http://econ.ucsd.edu/~vramey/econ130/protected/index.html>

Recommended: “The Great Divergence,” http://img.slate.com/media/3/100914_NoahT_GreatDivergence.pdf

2. Wage Differentials (MBN Ch. 11)

Economist article: “Profiting from Sexism” <http://www.economist.com/node/17311877>

3. Minimum Wage (MBN Ch. 12)

4. Social Security (MBN Ch. 23)

5. Education

“How the Decline in K-12 Education Enriches College Graduates,”
http://www.slate.com/articles/news_and_politics/the_great_divergence/features/2010/the_united_states_of_inequality/how_the_decline_in_k12_education_enriches_college_graduates.html

“What Makes Finnish Kids So Smart?” *The Wall Street Journal* February 29, 2008
<http://econ.ucsd.edu/~vramey/econ130/protected/index.html>

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

New Yorker article “Debt by Degrees”
http://www.newyorker.com/talk/financial/2011/11/21/111121ta_talk_surowiecki