

PAUD 670: Economics for Policy Analysis

Dr. Jeffrey Bloem

Spring 2022*

E-mail: bloem@american.edu

Office Hours: Mondays, 4:30 - 5:30 pm

Office Hours Location: **Kerwin ST06A**

Web: www.JeffBloem.com

Class Hours: Mondays, 5:30 - 8:00 pm

Classroom: **Kerwin 107**

Course Description

Economics is the study of how societies allocate their limited resources. Economic analysis, therefore, is well-suited to study public policy topics such as climate change, hunger, poverty, income inequality, employment, health care, housing policy, and so on. Economists tend to think about resource allocation on two levels. First, *microeconomic* analysis considers the choices and behavior of individuals, households, or firms. Second, *macroeconomic* analysis considers an entire national (or regional or global) economy.

This course mostly covers *microeconomic* tools for policy analysts (although we will discuss some *macroeconomics*), including resource scarcity, opportunity costs, theory of the consumer, theory of the firm, consumer and producer surplus, market equilibrium, allocative and productive efficiency, market failure, intended and unintended consequences of policy interventions, efficiency versus equity, and cost-benefit analysis.

Required Materials

- **Dr. Caroline Krafft.** *Economics for the Greater Good: An Introduction to Economic Thinking for Public Policy*. Creative Commons Attribution - ShareAlike 4.0 International License. **Freely available online here**
- Other required material will come from an assorted set of academic papers, popular press articles, and podcasts. These readings are linked below (in the course schedule) and on Canvas.

*Last Updated: 12/29/2021

Prerequisites

This course assumes no prior knowledge of economics. However, a background in algebra (e.g., solving equations, graphing functions, interpreting slopes, etc.) will be helpful. If your knowledge of mathematical tools is rusty, please visit me during office hours or seek out tutoring help.

Course Learning Objectives

By the end of this course, students will be able to:

1. **Conduct** marginal cost-benefit analysis and **identify** sunk costs and opportunity costs.
2. **Compute** and **interpret** elasticities of demand, income elasticities, and cross-price elasticities.
3. **Use** budget constraints and indifference curves to predict and understand household responses to policy changes.
4. **Identify** the types and implications of "irrational" behavior.
5. **Articulate** the definition, and associated economic efficiency, of perfectly competitive markets.
6. **Describe** the negative consequences of market power and how monopolies might be regulated to increase economic surplus.
7. **Identify** the effect of externalities on economic efficiency and examine policies that may enhance economic efficiency in the presence of externalities.
8. **Define** the "tragedy of the commons" and **describe** how assigning property rights to a common good can increase economic efficiency.
9. **Define** moral hazard, asymmetric information, adverse selection, and risk aversion. **Describe** how these concepts influence labor markets, insurance markets, and decision-making in general.
10. **Define** and **describe** public goods, the market demand curve for public goods, the optimal amount of public goods, and ways to fund the provision of public goods.

Course Structure

Class Structure

This course will be in-person. Holding this course in-person requires that we consider each other's health and safety. As I discuss below, we will follow guidance set by American University regarding COVID-19 health and safety measures. I ask that we all practice patience, a willingness to try new things, and adjust as necessary.

Weekly Assignments

These assignments are designed to aid you in engaging with the assigned reading material and with your classmates. It is best to think of these weekly assignments as short (e.g., 400-500 words) blog-post-style summaries of the interesting or important details from the reading. That is, pretend you are writing for someone who has not read the assigned reading but is generally knowledgeable about economics and public policy. These can take a variety of forms:

1. You can write a "layman's" translation of what you learned from the required readings.
2. You can identify and describe the "muddiest point" (e.g., a point of confusion) from the required readings.
3. You can write two questions relating to the required readings that you'd like to discuss with your classmates.

These assignments must be submitted via Canvas before class starts on Monday of each week we have assigned readings. There are 12 weeks with assigned readings in the semester, but you are only required to hand in 10 total weekly assignments. That means you have 2 weeks when we have assigned readings and you do not need to turn in an assignment. *Try not to use these too early in the semester.*

Policy Memos

Much of this course will focus on the economic analysis of public policies. You will write three policy memos throughout the semester. These policy memos are designed to give you practice defending a specific policy to achieve a given objective. Each policy memo should be about three pages long (double spaced) and should discuss relevant course material, including the use of economic analysis that supports your policy position. For tips on how to write an effective policy memo, read Chris Blattman's "[How to write an essay](#)" blog post.

Policy Memo #1: In introductory economics courses we learn that "trade makes everyone better off." In this policy memo, summarize the reasoning behind this claim. Also discuss (i) whether or not real-world empirical evidence supports the claim that international trade makes everyone better off and (ii) how this evidence should influence the future of international trade policy.

Policy Memo #2: Providing access to affordable and quality health care is a persistent challenge in the United States and many other countries around the world. Discuss some of the key market failures that make providing health care, and health insurance, so challenging. Also, considering the context of the United States specifically, how should we design our health care system? And what trade-offs does this system face?

Policy Memo #3: All around the world we face a triple challenge of (i) promoting agricultural productivity growth, (ii) producing a sufficient, nutritious, and safe food supply, and (iii) reducing greenhouse-gas emissions. Discuss the trade-offs associated with this "triple challenge." Also, making note of a specific local context, take and defend a stance on which of these objectives should be prioritized.

In addition to writing clearly and succinctly, it is important to be able to verbally communicate your writing and ideas effectively. Therefore, we will discuss these policy memos on the date each is due. So, in addition to submitting a policy memo via Canvas on the due date, be prepared

to briefly summarize your policy memo with the rest of the class. See the schedule below for relevant dates and deadlines.

Exams

We will have two exams, a midterm exam and a final exam. Exams will be closed book, closed notes, and closed internet. I will, however, allow you the option to prepare a one-page (front and back) "cheat sheet" that you can use during each exam. The exams will test your understanding of course material and require critical thought and reflection about key themes. Exams will last for an entire class period.

Grading

The grading of this course is as follows:

- Weekly assignments: 30%
 - 10 required weekly assignments (out of 12 weeks with assigned readings), 3% each
- Policy Memos: 30%
 - Memo #1, 10% (Due week 4)
 - Memo #2, 10% (Due week 10)
 - Memo #3, 10% (Due week 14)
- Midterm: 15%
- Final Exam: 15%
- Participation: 10%
 - Participation is based on class attendance (which is mandatory) and engaging with your classmates and me during our class lectures, activities, and discussions.

Grading Scale:

- 93-100% A
- 90-93% A-
- 88-90% B+
- 83-88% B
- 80-83% B-
- 78-80% C+
- 73-78% C
- 70-73% C-
- 60-70% D
- Below 60% F

Course Policies

COVID-19 Policy

We will follow the guidelines set by American University. I also want us all to be willing to go above and beyond these guidelines if necessary and when doing so will make others in our class more comfortable. I hope that you will all do what is necessary to keep each other, and yourselves, safe. Even if you consider yourself low risk, people around you may not be. If you feel at all sick, or have a temperature, please get tested. If you test positive, email me and we can discuss how to handle the situation.

Attendance Policy

Attendance is mandatory. We only meet once per week, for a total of 15 times during the semester. Missing just one class period, therefore, represents missing a substantial portion of our in-class time together. With that said, I understand that travel plans can sometimes be unavoidable. If you do expect the need to miss a class period, please let me know as soon as possible so that we can adjust. In addition, "attendance" does not simply mean showing up for class. I also expect that you will participate with our discussion and activities in each class period.

Communication Policy

E-mail is my preferred method of communication. E-mails sent between Monday and Friday will be responded to within twenty-four hours. Please do not wait until the last minute to send questions. Also, note that e-mails sent after 5pm will typically not be read until the next day.

Late Assignments Policy

Late assignments will not be accepted. If you anticipate that you will complete an assignment late due to unforeseen circumstances or events, please notify me *before* the assignment due date. If you experience challenges with technology, please notify me as soon as possible.

Physical and Mental Health

Your physical and mental health are important. I encourage you to take full advantage of the services provided by American University to facilitate your physical and mental health.

- Schedule time to exercise. Run, walk, do something to move around as you are able.
- Care of yourself mentally. Take breaks from your studies and work, spend time with friends and family, do something to rest from your most pressing task.
- Familiarize yourself with available mental health resources: <https://www.american.edu/ocl/counseling/>
- Other available resources:
 - Depression and Bipolar Support Alliance: <https://www.dbsalliance.org/>
 - Suicide Prevention Crisis line: 1-800-273-8255 or <https://suicidepreventionlifeline.org/>

Accommodations for Disabilities

American University is committed to assisting students with documented disabilities. A student with a disability who may need academic accommodations should follow this procedure (found at [this link](#)):

1. Complete and return the Student Accommodations Questionnaire.
2. Submit documentation of your disability.
3. You will be assigned a Disability Access Advisor who will review your documentation and contact you at your American University student email when it is time to schedule your intake appointment or additional materials are needed. (Documentation review typically takes 2-3 weeks; however, review may be longer during high volume times, such as the summer months.)

Lauren's Promise

I will listen and believe you if someone is threatening you.

Lauren McClusky, a 21-year-old honors student athlete, was murdered on October 22, 2018 by a man she briefly dated on the University of Utah campus. We must all take actions to ensure this never happens again.

If you are in immediate danger call 911. Do not hesitate.

If you are experiencing sexual assault, domestic violence, or stalking please seek help from the police whether or not you are in immediate danger.

- Campus police: 202-885-2527 (for things that happen on campus)
- Washington DC police: 202-671-7233 (for things that happen off campus)

Additional resources:

- The Red Flag Campaign: <http://www.theredflagcampaign.org/>
- HAWC (Healing Abuse, Working for Change): <https://hawcdv.org/>
- National Center on Domestic and Sexual Violence: <http://www.ncdsv.org/>
- National Coalition Against Domestic Violence: <https://ncadv.org/>

American University also has counseling services that can help you in the aftermath of an incident: 202-885-3500.

I can also help connect you to the appropriate resources, or put you in touch with a female colleague or faculty member who will do so. You can learn more about a variety of resources related to all aspects of sexual assault, domestic violence, or predatory behavior at American University here: <https://www.american.edu/ocl/counseling/special-topics-resource-page.cfm>.

Academic Integrity and Honesty

Academic dishonesty is regarded as a major Standards of academic conduct are set forth in the university's **Academic Integrity Code**. By registering for this course, students have acknowledged their awareness of the Academic Integrity Code and they are obliged to become familiar with their rights and responsibilities as defined by the Code. Violations of the Academic Integrity Code will not be treated lightly and disciplinary action will be taken should violations occur. This includes cheating, fabrication, and plagiarism.

Student Code of Conduct

The central commitment of American University is the development of thoughtful, responsible human beings in the context of a challenging yet supportive academic community. The **Student Code of Conduct** is designed to benefit the American University community and to assist in forming the highest standards of ethics and morals among its members. By registering for this course, students have acknowledged their awareness of the Student Code of Conduct and they are obliged to become familiar with their rights and responsibilities as defined by the Code.

Religious Observances

Students will be provided the opportunity to make up any examination, study, or work requirements that may be missed due to a religious observance, provided they notify their instructors before the end of the second week of classes. Please send this notification through email to the professor. For additional information, see American University's [religious observances policy](#).

Schedule

The schedule is tentative and subject to change. The midterm and final exams will test material covered to-date in the course. Therefore, the final exam will be cumulative and cover the material from the entire semester.

Week 1: Introduction

January 10 — Syllabus review, introductions, and what does it mean to think like an economist?

Week 2: Supply (Can we feed the world?)

January 24 — Required Material:

- Chapter 1 from *Economics for the Greater Good*, "Production: Can we end hunger?"
- *Think Like An Economist* podcast, "Supply - Getting the Best Out of What You Sell" [Available online](#)

What is due?

- Weekly Assignment

Week 3: Demand and Equilibrium (Who gets what and why?)

January 31 — Required Material:

- Chapter 2 from *Economics for the Greater Good*, "Supply and Demand: Who gets food, housing, and work?"
- Canice Prendergast (2017) "How Food Banks use Markets to Feed the Poor," *Journal of Economic Perspectives*, volume 31, number 4, pp. 145-162. [Available online](#)
- *Think Like An Economist* podcast, "Equilibrium - Balance in a Busy World" [Available online](#)

What is due?

- Weekly Assignment

Week 4: Comparative and Absolute Advantage (Who gains from trade?)

February 7 — Required Material:

- Chapter 3 from *Economics for the Greater Good*, "Trade: An Increasingly Connected World"
- David Autor, David Dorn, and Gordon Hanson (2021) "On the Persistence of the China Shock," *Brookings*, September 8, 2021. [Available online](#)
- NPR's Planet Money Makes a T-Shirt, YouTube video series. [Available online](#)
- *Think Like An Economist* podcast, "International Trade - Cars from Corn" [Available online](#)

What is due?

- Weekly Assignment
- Policy Memo #1

Week 5: Game Theory (Why does self-interest sometimes hurt us all?)

February 14 — Required Material:

- Avner Greif "Appendix A: A Primer in Game Theory," from *Institutions and the Path to the Modern Economy: Lessons from Medieval Trade*. [Available online](#)
- *Think Like An Economist* podcast, "Game Theory - Thinking Strategically" [Available online](#)

What is due?

- Weekly Assignment

Week 6: Behavioral Economics (Are humans "rational"?)

February 21 — Required Material:

- Chapter 1 (pp. 3-18) from Cartwright, Edward (2018) *Behavioral Economics*, third edition. **Available via Canvas**
- *Think Like An Economist* podcast, "Behavioral Economics - We're only human!" **Available online**

What is due?

- Weekly Assignment

Week 7: Midterm Exam

February 28 — In class midterm exam

Week 8: Market Failure (What happens in the real world?)

March 14 — Required Material:

- Jonathan Leape (2006) "The London Congestion Charge," *Journal of Economic Perspectives*, volume 20, number 4, pp. 157-176. **Available online**
- *Think Like An Economist* podcast, "Externalities - The Full Cost of the Choices we make" **Available online**

What is due?

- Weekly Assignment

Week 9: Crime (Why do people do "bad" things?)

March 21 — Required Material:

- Chapter 4 from *Economics for the Greater Good*, "The Economics of Crime"
- Magnus Lofstrom and Steven Raphael (2016) "Crime, the Criminal Justice System, and Socioeconomic Inequality," *Journal of Economic Perspectives*, volume 30, number 2, pp. 103-126. **Available online**

What is due?

- Weekly Assignment

Week 10: Social Protection (What happens when we need help?)

March 28 — Required Material:

- Chapter 9 from *Economics for the Greater Good*, "The Economics of Social Safety Nets: Here to Catch Us When We Fall?"
- Aviva Aron-Dine, Liran Einav, and Amy Finkelstein (2013) "The RAND Health Insurance Experiment, Three Decades Later," *Journal of Economic Perspectives*, volume 27, number 1, pp. 197-222. **Available online**

What is due?

- Weekly Assignment
- Policy Memo #2

Week 11: Poverty and Inequality (Why does having too little mean so much?)

April 4 — Required Material:

- Chapter 5 from *Economics for the Greater Good*, "The Economics of Poverty"
- Emmanuel Saez and Gabriel Zucman (2020) "The Rise of Income and Wealth Inequality in America: Evidence from Distributional Macroeconomic Accounts," *Journal of Economic Perspectives*, volume 34, number 4, pp. 3-26. **Available online**

What is due?

- Weekly Assignment

Week 12: Discrimination (Why do economic disparities persist?)

April 11 — Required Material:

- Chapter 6 from *Economics for the Greater Good*, "The Economics of Discrimination"
- Kevin Lang and Ariella Kahn-Lang Spitzer (2020) "Race Discrimination: An Economic Perspective," *Journal of Economic Perspectives*, volume 34, number 2, pp. 68-89. [Available online](#)

What is due?

- Weekly Assignment

Week 13: Education (Why does schooling not equal learning?)

April 18 — Required Material:

- Chapter 7 from *Economics for the Greater Good*, "Who Learns What and Why: The Economics of Education"
- Steve Mass (2021) "Evaluating the Head Start Program for Disadvantaged Children," *NBER Digest*, Number 4, April 2021. [Available online](#)
- Doug Webber (2019) "The advantages of getting into a name-brand college are wildly overblown," *Washington Post Op-Ed*, [Available online](#)

What is due?

- Weekly Assignment

Week 14: Climate Change (Why is protecting the environment so challenging?)

April 25 — Required Material:

- Chapter 8 from *Economics for the Greater Good*, "Why is There Pollution and What Can We Do About It?"
- Thomas Covert, Michael Greenstone, and Christopher R. Knittel (2016) "Will We Ever Stop Using Fossil Fuels?" *Journal of Economic Perspectives*, volume 30, number 1, pp. 117-138. [Available online](#)

What is due?

- Weekly Assignment
- Policy Memo #3

Week 15: Final Exam

May 2 — In class final exam