



ECONOMICS 309  
Fall 2019  
HAL 112  
TR: 1:00-2:15PM

### **ECON 309: Public Policy**

“...we fix our eyes not on what is **seen**, but on what is **unseen**...”  
~2 Corinthians 4:18

“The bad economist confines himself to the **visible effect**; the good economist takes into account both the effect that can be **seen** and those effects that must be **foreseen**.”  
~Frederic Bastiat

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**OFFICE HOURS:** MF: 10-11am, 12-2pm

W: 10-11am, 1-2pm

TR: 12-1 pm

This syllabus is a contract between us. Both parties should work hard to uphold the guidelines outlined here. I reserve the right to make changes if necessary.

### **REQUIRED TEXTS**

Selected readings

### **COURSE DESCRIPTION**

This course explores the application of microeconomic theory to policy dilemmas. Knowing graphs or having memorized some economic principles and definitions is not synonymous with “knowing economics.” The ability to apply economic reasoning to concrete situations is key. Applied work in public policy economics is predictive and anticipative: using the *ceteris paribus* assumption, economics gives us tools to predict the general pattern that public policies will generate—particularly those effects that are difficult to detect without economic training.

This course examines government intervention into the unhampered market economy with our eye on the question: “What are the justifications for and consequences of state intervention in economic life?” Ours is a challenging task because, as Bastiat noted over 150 years ago, the key to sound policy analysis is “seeing the unseen.”

Learning economics may mount serious intellectual challenges to many widely held and deeply-cherished beliefs about how the world works. Economics, when properly applied, places parameters on people’s utopias—a fact which helps explain economists’ historic (though not necessarily contemporary) unpopularity in the halls of power. In this class, we will not shy away from topics about which economics may offer a controversial analysis; instead, we will explore them with a respectful tone and in light of Christian revelation.

We will not use a textbook; instead, required readings will consist of academic papers, excerpts from seminal books in economics, and the occasional piece of popular writing by a professional economist. This approach yields two benefits: 1. it saves you money and 2. it introduces you to the writing of professional economists, a skill that will benefit you in any graduate school context (and many other contexts). In order to improve as a writer, it is obviously necessary, but also insufficient, that you write. Reading the work of those who have honed these skills is invaluable for developing your own ability to reason and write as an economist would.

### **LEARNING OUTCOMES:**

This course is intended to equip students to:

1. Identify and describe the strengths and weaknesses of rationales that have been offered for a host of public policies. This will be assessed by an exam, pop quizzes, in-class discussion, and a final paper. [2, 3, 4]
2. Identify the “unseen” effects of public policies, using the economic way of thinking. This will be assessed by an exam, pop quizzes, in-class discussion, and a final paper. [2, 3, 4]
3. Identify the “winners” and the “losers” in many government interventions. This will be assessed by an exam, pop quizzes, in-class discussion, and a final paper. [2, 3, 4, 5]
4. Describe the role of entrepreneurs in responding to real-world problems. This will be assessed by an exam, final paper, and in-class discussion. [2]

## TENTATIVE SCHEDULE OF TOPICS, ASSIGNMENTS, AND EXAMS

<u>DATE</u>	<u>TOPIC</u>	<u>READING</u>
Aug 27	Introduction to Public Policy	<p><a href="#">Bastiat: “The Broken Window”</a></p> <p><a href="#">Whaples: “Do Economists Agree on Anything? Yes!”</a></p> <p><a href="#">Alston et al.: “Is There a Consensus Among Economists in the 1990’s?”</a></p> <p><a href="#">IGM Economic Experts Panel (for fun—revisit through the semester!)</a></p>
Aug 29	The Economic Approach	<p><a href="#">Heyne: “Economics as a Way of Thinking”</a></p> <p><a href="#">Radford: “The Economic Organization of a POW Camp”</a></p>
Sept 3	Austrian Political Economy	<p><a href="#">Mises: “The End of Interventionism” in <i>Human Action</i> (pp. 854-857)</a></p> <p><a href="#">Higgs: “Regime Uncertainty: Why the Great Depression Lasted so Long and Why Prosperity Resumed after the War” (pp. 561-579)</a></p>
Sept 5	Public Choice	<p><a href="#">Bastiat: “A Petition”</a></p> <p><a href="#">Yandle: “Bootleggers and Baptists: The Education of a Regulatory Economist”</a></p> <p><a href="#">Tullock: “The Transitional Gains Trap”</a></p>
Sept 10	Labor: Minimum Wage	<p><a href="#">Leonard: “Eugenics and Economics in the Progressive Era” (pp. 212-215)</a></p> <p><a href="#">Murphy: “Economists Debate the Minimum Wage”</a></p>
Sept 12	Labor: Discrimination	<p><a href="#">Doleac and Hansen: “The Unintended Consequences of ‘Ban the Box’: Statistical Discrimination and Employment Outcomes when Criminal Histories are Hidden” (pp. 3-12, 16-30)</a></p> <p><a href="#">Acemoglu and Angrist: “Consequences of Employment Protection? The Case of the Americans with Disabilities Act” (pp. 915-920, 948-950)</a></p> <p><a href="#">de Jasay: “On the Economics of Protecting Employment”</a></p>

Sept 17	Labor: Licensing	<a href="#">Kleiner: “Occupational Licensing”</a>
Sept 19	Labor: Sweatshops	<a href="#">Powell: “Meet the Old Sweatshops: Same as the New”</a>  <a href="#">Powell: “A Case Against Child Labor Prohibitions”</a>
	<b>PAPER APPROVAL DEADLINE</b>	
Sept 24	Market Failure: Externalities	<a href="#">Cordato: “Toward an Austrian Theory of Environmental Economics”</a>
Sept 26	Market Failure: Public Goods	<a href="#">Holcombe: “A Theory of the Theory of Public Goods”</a>
Oct 1	Market Failure: Asymmetric Information	<a href="#">Steckbeck and Boettke: “Turning Lemons into Lemonade” (on mygcc)</a>  <a href="#">Akerlof: “The Market for ‘Lemons’: Quality Uncertainty and the Market Mechanism” (optional)</a>
Oct 3	Firms: Antitrust	<a href="#">Armentano: “A Critique of Neoclassical and Austrian Monopoly Theory”</a>  <a href="#">Henderson: “Why Predatory Pricing is Highly Unlikely”</a>
Oct 8	Firms: Antitrust	<a href="#">McAfee: “The Strategic Abuse of the Antitrust Laws” (on mygcc)</a>  <a href="#">Crandall and Winston: “Does Antitrust Policy Improve Consumer Welfare? Assessing the Evidence” (optional)</a>
Oct 10	<b>MIDTERM</b>	Study
Oct 15	Firms: Entrepreneurship Policy	<a href="#">Lucas et al.: “Visions of Entrepreneurship Policy”</a>
Oct 17	<b>FALL BREAK</b>	
Oct 22	Paternalism: Nudging	<a href="#">Thaler and Sunstein: “Libertarian Paternalism”</a>  <a href="#">Thaler and Rizzo (debate): “Should Policies Nudge People?”</a>
Oct 24	Paternalism: Price Controls	<a href="#">Stigler and Friedman: “Roofs or Ceilings?” (pp. 87-103)</a>
Oct 29	Paternalism: Consumer Safety Regulation	<a href="#">Leeson et al.: “Regulating Quack Medicine”</a>  <a href="#">Higgs: “Banning a Risky Product Cannot Improve Any Consumer’s Welfare”</a>
Oct 31	Paternalism: Privacy	<a href="#">Lenard and Rubin: “In Defense of Data: Information and the Costs of Privacy” (pp. 5-51)</a>
Nov 5	Paternalism: Prohibition	<a href="#">Wilson: “Against the Legalization of Drugs”</a>

		<a href="#">Miron and Zwiebel: “The Economic Case Against Drug Prohibition”</a>  <a href="#">Greene: “Naloxone ‘Moral Hazard’ Debate Pits Economists Against Physicians” (optional)</a>
Nov 7	Paternalism: Welfare	<a href="#">Porter: “The Myth of Welfare’s Corrupting Influence on the Poor”</a>  <a href="#">Pasour: “The Samaritan’s Dilemma and the Welfare State”</a>  <a href="#">Leeson and Sobel: “Weathering Corruption” (optional)</a>
Nov 12	International: Trade	<a href="#">Irwin: “A Brief History of International Trade Policy”</a>  <a href="#">Krugman: “What do Undergrads Need to Know about Trade?”</a>
Nov 14	International: Aid	<a href="#">Leeson: “Two Cheers for Capitalism?”</a>  <a href="#">Sachs: “The Case for Aid”</a>  <a href="#">Leeson and Skarbek: “What Can Aid Do?”</a>  <a href="#">Leeson and Skarbek: “What Aid Can’t Do: Reply to Ranis”</a>
Nov 19	International: Immigration	<a href="#">Leeson and Gochenour: “Economic Effects of International Labor Mobility”</a>
Nov 21	Social Issues: Crime, Punishment, Prisons	<a href="#">D’Amico and Williamson: “Do Legal Origins Affect Cross-Country Incarceration Rates?”</a>
Nov 26	<b>THANKSGIVING</b>	
Nov 28	<b>THANKSGIVING</b>	
Dec 3	Social Issues: Family, Marriage, Adoption	<a href="#">Boudreaux: “A Modest Proposal to Deregulate Infant Adoptions”</a>  <a href="#">Frankel and Miller: “The Inapplicability of Market Theory to Adoptions” (optional, search online)</a>  <a href="#">Peltzman: “Regulation and the Natural Progress of Opulence” (optional)</a>
Dec 5	<b>PRESENTATIONS</b>	
Dec 10	<b>PRESENTATIONS</b>	
Dec 12	Study Day	
Dec 13	<b>FINAL EXAM—7-9 PM</b>	Study

**COURSE REQUIREMENTS, EVALUATION, GRADING**

Final grades are based on one (1) midterm exam, one (1) paper, one (1) presentation, five (5) pop quizzes, and one (1) comprehensive final exam.

Economists emphasize that the “rules of the game” shape outcomes. One of the rules in this class is that there will be five (5) pop quizzes administered at the beginning of class on that day’s assigned reading. **Unexcused absences on quiz days will earn a zero on the quiz.** See below for excused absences.

Whether you enter the workforce or continue your education after graduation, collaboration with others is likely to play an increasingly significant role in your success. As a result, students will be co-authoring papers in groups of two in this class. These groups will then present their paper in class at the end of the semester. I will provide guidelines about both the paper and the presentation in class (additionally, general paper guidelines are given below and grading rubrics are available on the course myGCC page).

**A representative from each group is required to meet with me by the date listed in the syllabus to discuss the group’s paper and presentation topic. When we meet, you should be prepared to offer me a thesis statement.** A hard-copy, stapled version of the final paper is due on the date you make your presentation (There will be a sign-up sheet in class).

The ability to meet deadlines is a skill that is required in virtually every potential opportunity after you graduate. **As a result, (unexcused) late papers will receive a grade of zero.**

The final grade is calculated as follows:

- (1) Midterm exam: 30%
- (1) Paper + Presentation: 25% (Paper: 15%; Presentation: 10%)
- (1) Comprehensive final: 35%
- (5) Pop quizzes: 10% (2% each)

#### Grading Scale:

<b>A:</b> 93-100	<b>A-:</b> 90-92.9	<b>B+:</b> 87-89.9	<b>B:</b> 83-86.9	<b>B-:</b> 80-82.9	<b>C+:</b> 77-79.9
<b>C:</b> 73-76.9	<b>C-:</b> 70-72.9	<b>D+:</b> 67-69.9	<b>D:</b> 63-66.9	<b>D-:</b> 60-62.9	<b>F:</b> <60

If a you must miss an exam/quiz, please discuss it with me prior to the exam/quiz. In the event of an emergency, you should email me as soon as possible. If you miss an exam for an unexcused reason, a grade of “0” will be given. **If the absence is excused, you have two options.** You may elect to take a make-up examination. Alternatively, you may elect to add the weight of the missed assignment to the next comparable assignment (i.e. choosing this option for missing quiz 1 causes quiz 2 to be worth 4% of your grade).

The final exam must be taken at the scheduled time. One exception: students who have three or more finals scheduled for the same day may discuss with me an alternative time to take the final.

All assignments must be hard-copy and stapled; they are due at the beginning of class. Unexcused late assignments will receive a zero.

#### **IN-CLASS EXPECTATIONS**

The use of phones and laptops is prohibited in class. Many elite institutions, including law schools,

have chosen to ban electronics from the classroom on the same grounds that I do so: studies have repeatedly demonstrated that laptop usage exerts a statistically significant, negative effect on classroom outcomes. For example, a recent study of Principles of Economics classes at West Point found that when laptops were banned, students scored, on average, .18 standard deviations higher than their peers in laptop-using classrooms.<sup>1</sup> Several studies also demonstrate that taking notes by hand is, on average, superior for learning and retention than is taking notes by electronic device.<sup>2</sup> However, the strongest argument for a laptop ban comes from recent studies indicating that laptop usage harms the performance of non-laptop-using students in a laptop-using classroom.<sup>3</sup> When someone's activity imposes costs on someone else, economists call it a "negative externality." My policy of banning electronics is an attempt to mitigate negative externalities in the classroom.

Consistent with the College's goal of fostering a collegial academic environment and a community founded on the Christian ethic, all members of this class will treat each other respectfully, even when disagreeing with a viewpoint expressed by a classmate or the professor. *Ad hominem*, derogatory, or demeaning comments directed at individuals in or outside of our classroom do nothing to facilitate our pursuit of truth, undermine the nature of our Christian community, and will not be tolerated.

## **PUBLIC POLICY PAPER GUIDELINES**

Students will complete an 8-10 page, co-authored paper analyzing a topic in Public Policy. The best papers will contain cogent analysis free of grammatical problems and conveyed in a style appropriate to scholarly (rather than casual) discourse. Papers should be double-spaced, with one-inch margins and 12-point Times New Roman font. You may include a title page, but do not include it in your page count. **Your citations should adhere to the Chicago Style Author-Date format.** You may find examples here: <https://owl.english.purdue.edu/owl/>

Below I list a wide range of possible paper topics with associated links to spark your creativity, but **you are also free to select a relevant topic of your own:**

1. Is innovation possible in the absence of [intellectual property laws](#)?
2. Is the state "entrepreneurial," as argued by [Mariana Mazzucato](#)?
3. Why do democracies get [bad policies](#)?
4. What are the unintended consequences of [sin taxes](#)?
5. Does government aid in [natural disaster relief](#)?
6. What are the consequences of digital privacy regulation like the [GDPR](#)?
7. Is policy causing the [opioid crisis](#)?
8. Does monopsony justify the [minimum wage](#)?
9. If governments eliminated all healthcare spending, would people be any [sicker](#)?
10. Why does the potency of illicit substances [tend to rise](#)?
11. How has Section 230 of the "Communications Decency Act" shaped the [Internet](#)?
12. Why does Flint, Michigan have [bad water](#)?
13. Is recycling bad for the [environment](#)?
14. Does the Environmental Species Act reduce [biodiversity](#)?
15. Do sweatshop regulations help the [poor](#)?
16. Why is Iran the only country without a [kidney shortage](#)?

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<sup>1</sup> See here: <http://educationnext.org/should-professors-ban-laptops-classroom-computer-use-affects-student-learning-study/>.

<sup>2</sup> See here: <https://www.scientificamerican.com/article/a-learning-secret-don-t-take-notes-with-a-laptop/> or here: <https://sites.udel.edu/victorp/files/2010/11/Psychological-Science-2014-Mueller-0956797614524581-1u0h0yu.pdf>.

<sup>3</sup> See here: <http://www.sciencedirect.com/science/article/pii/S0360131512002254?via%3Dihub>.

17. Why does the United States have the highest incarceration rate in the [world](#)?
18. Why are women paid less than [men](#)?
19. What are private alternatives to [social security](#)?
20. To spur development, should governments create [charter cities](#)?
21. Did “deregulation” cause the 2008 [financial crisis](#)?
22. Is policy causing [obesity](#)?
23. Did government create “[food deserts](#)”?
24. Does funding bias [science](#)?
25. What causes entrepreneurs to “evade” [formal institutions](#)?

All papers should possess the following structure: 1) Introduction concluding with a precise thesis; 2) Points of argumentation supporting the thesis; 3) Conclusion stating the implications of your argument. The opening pages of your paper should contain a strong, unambiguous thesis that clearly states the argument you are trying to advance. **The rest of your paper should be written as if you were trying to convince an opponent who currently believes contrary to your thesis.**

A thesis is a proposition that you defend by way of argumentation. Thus, statements like “This paper is about international incarceration rates” are not thesis statements. A thesis is something like “In this paper, I argue that countries with a common law heritage are more likely to incarcerate for x, y, and z reasons.” Excise every thought that does not contribute to your thesis. Unfocused thoughts do not simply fail to help you make your case; they positively detract from it.

Good writing is difficult to achieve. It takes a lot of practice. As economist D. McCloskey states: “Amateur writers suppose that writing is a character trait instead of a skill.”<sup>4</sup> Because good writing is a skill, you should re-read (and re-write) your paper. Read it aloud. Ask a roommate to critique your prose and argumentation. Though the process is painful, good writing is paramount to thinking well. Writing down our thoughts enables us to spot errors of reasoning, sloppy prose, gaps in the argument, *non-sequiturs*, and other intellectual sins. As a former professor of mine likes to say: “Thinking without writing is daydreaming.”

In my opinion, the best economics papers *begin* with a question. They *end* with an answer to that question *and* with implications that stem from the analysis. Regardless of which approach you choose, your paper should include a brief literature review. What have others said on this topic or related topics? How does your paper fit in this broader conversation and advance scholarly discourse?

## **COLLEGE REGULATIONS**

This course complies with the Attendance Expectations and Academic Integrity policies of the College as described in the Grove City College Bulletin. Attendance at all classes for which a student is registered is essential to the satisfactory completion of the course. If an absence is incurred for any reason, it is the obligation of the student to ascertain from the instructor what is to be done to maintain his/her standing in the course.

A student may have unexcused absences which total less than or equal to the number of times the class meets per week. In other words, classes meeting four times per week allow four unexcused absences; three times per week allow three unexcused absences, etc. Absences are excused for authorized GCC activities, loss of immediate family member, and Zerbe-certified illness or injury. Please consult the College Bulletin (pgs. 53-54) for more details on college attendance policy.

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<sup>4</sup> From Deirdre N. McCloskey’s (2000) “Economic Writing,” (Second edition).



**Academic Integrity:** The GCC community maintains strict standards for academic integrity and honesty. By signing their application form, all GCC students have pledged themselves to academic integrity. Please consult the College Bulletin (pgs. 55-57) for what constitutes academic dishonesty and plagiarism.

In doing papers or assignments outside of the classroom, taking exams and quizzes, and preparing for exams and quizzes, students should do their own work and not cooperate with, aid, or encourage other students to violate this policy. Consult the College Bulletin for more details on what constitutes a violation of college policy.

In addition, by vote of the GCC faculty, a student who violates, or who assists another to violate, the Honesty in Learning Policy shall be penalized with a minimum of a failing grade for the specific work for which the dishonesty was committed. More severe penalties may be imposed by faculty including failure in the course. For the processes through which incidents are handled consult the College Bulletin.

**Accessibility & Accommodations:** If you anticipate physical or academic barriers based on a disability, please let me know immediately so that we may discuss options. You may also contact the disability services office to establish accommodations. The Disability Services Coordinator may be reached at (724)-264-4673 or [disabilityservices@gcc.edu](mailto:disabilityservices@gcc.edu).