PUBP720: Managerial Economics and Policy Analysis
Fall 2020

7/27/2020

course credit: 3
location: Zoom (see below, page 10)
meeting time: Thursday 7:20-10:00PM
1st Day: August 27, 2020

description of the course

LEARNING OBJECTIVES
This course is a workshop in using analytic techniques to answer difficult questions about human
decision-making in a social context. Its purpose is to provide students with a sense of confidence
in understanding
1. How individual decisions lead to aggregate (industry-, nation-, or global-scale) outcomes
   and vice versa, and
2. How public policies of various types affect both decisions and outcomes.

AUDIENCE
PUBP720 is a core MPP course. It is also a “bridge course” into Ph.D. level microeconomics
courses for students with little prior background in economic analysis, but who are, at minimum,
comfortable with algebra.

Note: This course will require you to develop basic literacy in the use of calculus. You are
not required to have taken a calculus class before taking this course. However, you will be
required to understand and to use calculus in this course.

In advance of the course, you should understand the material covered in the GMU Schar School
math tutorials

- Basic Math Refresher: https://schar.gmu.edu/current-students/masters-student-
services/masters-101/math-refresher
- Math for Economics Tutorial: https://schar.gmu.edu/current-students/masters-student-
services/masters-101/math-for-economics

COURSE PLATFORM
The course will be conducted synchronous/online via Zoom meeting, supplemented by
readings and additional online resources listed below.

In general, the platforms for the course will be
- Email to your Masonlive account (please check this regularly)
- Google Suite tools (Google Drive, Google Slides, Google Sheets, and so forth.)
Sli.do (for surveys)

Microsoft Office Lens, or similar (for using your phone to scan handwritten answers to problem sets and exams)

U.S. Postal Service (backup to scan, for handwritten answers to problem sets and exams)

We will not use Blackboard.

Course materials are mostly available as links in the syllabus (below). Additional resources will be available to you in the class Google Drive folder.

Student Experience

We will be using class (Zoom) meeting time in this course to do work together. Students must come to class every session prepared—which means, in particular, that you must have done the readings and viewed any required videos for that class session.

Expectations

The expectations in this class reflect those that exist in the workplace for policy analysts. Students are expected to be engaged contributors to every aspect of the work of the class. (this means cameras on during class time, please, unless an exceptional obstacle prevents that.) Students must create first-rate work of their own and must also contribute actively to collaborative efforts.

Evaluation

Students’ grades in this course will be determined as a combination of

- Final exam: 50%
- Midterm: 30%
- Problem sets: 20% [to be described first week of class]

Teams

You can access the class survey at

https://www.surveymonkey.com/r/ZCWG375

Please fill out the class survey ASAP, if you have not already done so. The results of the survey provide me with guidance as I assign you to teams.

Communications

The best way to reach me is either by email (auerswald@gmu.edu) or cell phone (202-378-6438). If you email a question to me that may require more than a yes/no answer (in particular, any questions regarding assignments), please include in the message a phone number at which you can be reached during the day.

Course Materials

I suggest you purchase:


If you would like to track the material in the course in a textbook, I suggest you buy one of the two following editions of *Microeconomics* by Robert Pindyck and Daniel Rubinfeld:


If you can get either for roughly the same price, go for the 9th edition. **The material I present will parallel the material in this textbook. However, my course slides convey the core material for this class. The textbook is supplemental.**

*Note:* The Pindyck and Rubinfeld book costs (at minimum) $50 less on Amazon than it does at the bookstore. If you use your gmu.edu email address (and you haven’t already used up your Amazon trial period) you will qualify for free Super Saver shipping:


Because I have found this option is strongly preferable for students, and because the course is online, I have not ordered this textbook for the campus bookstore this semester.

If you have not done so already, please familiarize yourself with the library’s online resources (particularly JSTOR), and make sure that you have access to Adobe Acrobat Reader.

Finally, I recommend (but do not require) that you purchase.


Also worth reading, if you haven’t already, are


*The Undercover Economist* and *Freakonomics* both provide numerous examples of the creative use of economic analysis in answering policy questions. *Freakonomics* is the cleverest of these three; however *The Undercover Economist* more closely tracks the material in a graduate level microeconomics course. Purchase these books is not required.
Professional Ethics

HONOR CODE
GMU shares in the tradition of an honor system that has existed in Virginia colleges since 1842. The Honor Code is an integral part of university life. Students are responsible for understanding the provisions of the code. In the spirit of the code, a student's word is a declaration of good faith acceptable as truth in all academic matters. Therefore, attempted cheating, plagiarism, lying, and stealing of academic work and related work constitute Honor Code violations. All work must be your own. Inappropriate use of the work of others without attribution is plagiarism and a George Mason University Honor Code violation punishable by expulsion from the University. All students should familiarize themselves with this honor code provision.

POLICY ON PLAGIARISM
The profession of scholarship and the intellectual life of a university as well as the field of public policy inquiry depend fundamentally on a foundation of trust. Thus any act of plagiarism strikes at the heart of the meaning of the university and the purpose of the Schar School. It constitutes a serious breach of professional ethics and it is unacceptable.

Plagiarism is the use of another’s words or ideas presented as one’s own. It includes, among other things, the use of specific words, ideas, or frameworks that are the product of another’s work. Honesty and thoroughness in citing sources is essential to professional accountability and personal responsibility. Appropriate citation is necessary so that arguments, evidence, and claims can be critically examined.

Plagiarism is wrong because of the injustice it does to the person whose ideas are stolen. But it is also wrong because it constitutes lying to one’s professional colleagues. From a prudential perspective, it is shortsighted and self-defeating, and it can ruin a professional career.

The faculty of the Schar School takes plagiarism seriously and has adopted a zero tolerance policy. Any plagiarized assignment will receive an automatic grade of “F.” This may lead to failure for the course, resulting in dismissal from the University. This dismissal will be noted on the student’s transcript. For foreign students who are on a university-sponsored visa (eg. F-1, J-1 or J-2), dismissal also results in the revocation of their visa.

To help enforce the Schar School policy on plagiarism, all written work submitted in partial fulfillment of course or degree requirements must be available in electronic form so that it can be compared with electronic databases, as well as submitted to commercial services to which the School subscribes. Faculty may at any time submit student’s work without prior permission from the student. Individual instructors may require that written work be submitted in electronic as well as printed form. The Schar School policy on plagiarism is supplementary to the George Mason University Honor Code; it is not intended to replace it or substitute for it.

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1 Description thanks to Professor Steve Ruth.
Course Outline

PART I: THEORY OF THE CONSUMER

Session 1: Overview of the course; consumer preferences, indifferences curves (August 27)

Assignments:
  problem set #1 sent out (prior to the start of class)

Policy questions:
  • Is microeconomics just market-friendly propaganda?
  • Rent or buy?

Required readings
  • Milton Friedman, “The Methodology of Positive Economics,” in Essays in Positive Economics, 1953; pp. 3-43 (Focus particularly on section V)
  • Joseph Stiglitz, Nobel Prize Lecture, December 8, 2001
  • Derek Thompson and Jordan Weissmann, “The Cheapest Generation,” September, 2012
  • New York Times, “Is it Better to Buy or Rent?”
      https://www.nytimes.com/2017/06/04/your-money/whether-to-rent-or-buy-a-home.html

Required video*
  • MIT OpenCourseware, “Preferences and Utility”
      https://www.youtube.com/watch?v=9kH0x7V_0lg&index=4&list=PL61533C166E8B0028

Required Tutorials (Please make sure you are very comfortable with all the material presented in these two tutorials)*
  • Basic Math Refresher: https://schar.gmu.edu/current-students/masters-student-services/masters-101/math-refresher
  • Math for Economics Tutorial: https://schar.gmu.edu/current-students/masters-student-services/masters-101/math-for-economics

Recommended Video
  • Russ Roberts, Keynote Address, Mercatus Holiday Dinner, December 7, 2011

Session 2. Math Camp; Utility Functions (September 3)

Policy question: Is happiness measurable?
  P&R: Chapters 1-3

Required readings
  • Hicks (1933, chapter 1) [see bibliography below]
Required videos*

- MIT OpenCourseware, “Budget Constraints”
  https://www.youtube.com/watch?v=TIWE0DaOlzU&list=PL61533C166E8B0028&index=5
- An Entire Semester of Microeconomic Principles in One Hour (23:11 to 38:32 only)
  https://www.youtube.com/watch?v=eDpyMJbxUMw

Session 3. Utility maximization; Income and substitution effects (September 10)

Policy question: Will the pandemic put an end to the population explosion?
P&R: Chapter 4 (including appendix)

Required readings

- Thomas Malthus, An Essay on the Principle of Population (Chapters I and II)
  https://www.econlib.org/library/Malthus/malPop.html
- Dasgupta (1995) [see bibliography below]
- The Economist, “A Tale of Three Islands,” October 22, 2011
  http://www.economist.com/node/21533364
  https://www.pewresearch.org/fact-tank/2019/05/22/u-s-fertility-rate-explained/

Required video*

- MIT OpenCourseware, “Deriving Demand Curves”
  https://www.youtube.com/watch?v=yCd_OSJmtfg&list=PL61533C166E8B0028&index=6
- Hans Rosling, 200 Countries, 200 Years, 4 Minutes
  http://youtu.be/jbkSRLYSojo

Session 4. Review of problem set #1; Income and substitution effects, continued (September 17)

Assignments:
  problem set #1 due
  problem set #2 sent out

Policy question: Will the pandemic end the population explosion? (continued)
P&R: Chapter 4 (including appendix) [cont’d]

Session 5. Property Rights, Contracting and Bargaining; Production and the Theory of the Firm (September 24)

Policy question: Is “software eating the world”? 
P&R: Chapters 6 and 18

Required readings

- Coase (1960), Chandler (1992), Barzel and Kochin (1992) [see references below]
- Los Angeles Times, “Guns, religion and climate change intensify Nigeria’s deadly farmer-herder clashes,” February 21, 2019
  http://online.wsj.com/article/SB10001424127887324461604578191781756437940.html
Required Video*
- Marginal Revolution University, Principles of Microeconomics, “The Coase Theorem”
  https://mru.org/courses/principles-economics-microeconomics/coase-theorem-example
- Marginal Revolution University, Principles of Microeconomics, “Costs and Profit Maximization Under Competition” [all videos]
  https://mru.org/courses/principles-economics-microeconomics/competitive-firm-definition
- MIT OpenCourseware, “Introduction to Producer Theory”
  https://www.youtube.com/watch?v=A6FOBdtbcz4&index=9&list=PL61533C166E8B0028
- Erik Brynjolfsson, “In a race with machines, can we keep up?”

Session 6: Review of problem set #2; Production, costs, and profits (October 1)

Assignments:
- problem set #2 due

Policy question: Why did the Soviet Union collapse?
- P&R: Chapter 7

Required reading
- Argote and Epple (1990)

Required Video*
- MIT OpenCourseware, “Productivity and Costs”
  https://www.youtube.com/watch?v=Q4iKuKAjzK0&list=PL61533C166E8B0028&index=10

Session 7. Midterm Exam (October 8) OPEN BOOK, OPEN NOTES

I WILL SEND THE MIDTERM EXAM TO YOU BY 6PM ON MONDAY, OCTOBER 5. IT WILL BE DUE BY EMAIL, FAX (202-330-5478), OR USPS NO LATER THAN 9PM ON MONDAY, OCTOBER 12. WE WILL NOT HAVE A CLASS ZOOM SESSION THIS DAY

Session 8. Review of midterm; Production, costs, and profits (continued); Industry Evolution (October 15)

Policy question: Why do industries boom and bust?

Required readings
  http://wamu.org/programs/metro_connection/12/07/06/the_golden_era_of_dc_dining_or_an_age_of_terror
- Quartz “Restaurant and bars account for more than half of the US jobs lost in March,” April 4, 2020

Session 9. Efficiency and the analysis of competitive markets (October 22)

Policy question: Will the pandemic be the end of big cities?
- P&R: Chapters 2 (again) and 8, 9 and 16

Required readings
- Henry George, Progress and Poverty (Book 5)
- *New York Times*, “The Virus Turns Midtown into a Ghost Town, Causing an Economic Crisis,” July 26, 2020
- *New York Times*, “Coronavirus Threatens the Luster of Superstar Cities,” July 26, 2020

### PART III. MARKET FAILURE

**Session 10. Monopoly (October 29)**

**Policy question: Where does economic inequality come from?**

P&R: Chapters 5, 13, 17 and 18

**Required Video**
- Marginal Revolution University, Principles of Microeconomics, “Monopoly” [all videos]
  https://mru.org/courses/principles-economics-microeconomics/monopoly-profit-maximization-price-aids-medication

**Required readings**
- Baradaran (2017) (chapters 7 and 8)
- Philip Auerswald and Joon Yun, “As Population Growth Slows, Populism Surges”
- *The Economist*, “Across the West powerful firms are becoming even more powerful,” November 15, 2018
- *The Economist*, “Dynamism has declined across Western economies,” November 15, 2018

**Required Audio**
- This American Life, “Status Update,” November 27, 2015 (Act III)
  https://www.thisamericanlife.org/573/status-update

**Optional Reading**

**Session 11. Monopoly (continued); Intrinsic uncertainty (November 5)**

**Assignments:**
- problem set #3/4 sent out

**Policy question: Where does economic inequality come from? (continued)**
  https://www.nber.org/papers/w20637.pdf
  http://tuvalu.santafe.edu/~wbarthur/Papers/SciAm_Article.pdf
Session 12. Intrinsic uncertainty; Externalities, public goods; regulation (November 12)

Policy question: Are standard tools of policy analysis obsolete?

Required Readings
- Taleb (2010), Prologue and Chapters 14-17.
  https://necsi.edu/an-introduction-to-complex-systems-science-and-its-applications

Session 13. Externalities, public goods; regulation (continued); Q&A Session (November 19)

Policy question: Remember “rush hour”?

Required Video*
- Marginal Revolution University, Principles of Microeconomics, “Trading Pollution”
  https://mru.org/courses/principles-economics-microeconomics/clean-air-act-pollution-control
- Marginal Revolution University, Principles of Microeconomics, “Public Goods and the Tragedy of the Commons” [all videos]
  https://mru.org/courses/principles-economics-microeconomics/competitive-firm-definition
- Marginal Revolution University, Principles of Microeconomics, “Asymmetric Information” [all videos]
  https://mru.org/courses/principles-economics-microeconomics/adverse-selection-asymmetric-information-definition

Required Readings
- Elinor Ostrom (2009), Nobel Prize Lecture
  http://www.nytimes.com/2008/08/03/magazine/03traffic-t.html

Session 14. Review of problem set 3/4; Efficiency and social welfare; Review of the Course (December 3)

Assignments:
- problem set #3/4 due

Policy question: Should we export nuclear waste to poor countries?
  Readings: Sen (1999)
  P&R: Chapters 5, 13, 17 and 18 [cont’d]

FINAL EXAM—2.5 HOURS, CUMULATIVE, OPEN BOOK, OPEN NOTES

I WILL SEND THE FINAL EXAM TO YOU BY 6PM ON MONDAY, NOVEMBER 30. IT WILL BE DUE BY EMAIL, FAX (202-330-5478), OR USPS NO LATER THAN 9PM ON MONDAY, DECEMBER 7.
References


J.R. Hicks, *Value and Capital*, Oxford University Press, 1933. [will email PDF and post it to Google Drive]


ANNEX 1: Class Zoom Info

Join Zoom Meeting

Topic: PUBP720: Managerial Economics

https://gmu.zoom.us/j/95111831018?pwd=cHR2MnR3YzltSDJiYTlEZGlwVHlTZz09

Meeting ID: 951 1183 1018
Passcode: 191676
One tap mobile
+12678310333,,95111831018#,,,,0#,,191676# US (Philadelphia)
+13017158592,,95111831018#,,,,0#,,191676# US (Germantown)

Time: Aug 27, 2020 07:00 PM Eastern Time (US and Canada)
Every week on Thu, 14 occurrence(s)
Please download and import the following iCalendar (.ics) files to your calendar system.
Weekly: https://gmu.zoom.us/meeting/tJEsduigrToqG9yhfSgiZY-7gt3mycMDiwRe/ics?icsToken=98tyKuCttrzorEteUsBiPRowMBYj4d_zztm5fjfEpElBnWBClpW06hMfYRP6t8PfZ

Dial by your location
+1 267 831 0333 US (Philadelphia)
+1 301 715 8592 US (Germantown)

Meeting ID: 951 1183 1018
Passcode: 191676
Find your local number: https://gmu.zoom.us/u/aco9GXVJe

Join by SIP
95111831018@zoomerc.co