

Public Economic Policy

Professor Stuart Shapiro

EJB 538

Office Hours Monday, Thursday 1-2:30

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Course: 10:762:220

Monday/Thursday 10:55-12:30

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Overview

This course introduces you to economic thinking and its application to public policy. Thousands of years of civilization have produced two basic ways of running an economy, the government and the market. Of course there are also many places in between these two options. This course considers economic incentives and organizations; models of economic behavior, including markets, the absence of markets, and interventions in markets; the price system and how it works; and policy objectives and instruments. Most fundamentally it will teach how to think about a public policy problem and when a government solution is appropriate and when a market based solution is appropriate.

Requirements:

There will be a five question quiz at the beginning of each class. These quizzes will be very easy if you've read the newspaper article assigned for that day. I will drop your worst two quizzes. These quizzes make up 20% of your grade. There will be three homework problem sets that collectively make up 20% of your grade. Finally there will be three exams, each worth 20% of your grade. The dates for the exams are: October 10, November 17 and during finals week.

While students are encouraged to work in small groups on the problem sets, they must be written up individually.

Students are expected to uphold the university academic integrity policy. The policy can be found at: <http://academicintegrity.rutgers.edu/integrity.shtml>

Readings

Each class will have a newspaper or magazine article or blog post assigned on a current topic that is connected to the subject of that class. There will also be an assigned reading either in the textbook, *The Naked Economist* by Charles Wheelan or short readings up on Sakai. **Readings are expected to be done before class** and you are expected to come to class prepared to discuss them.

Week 1 Thursday September 8 and Monday September 12

What is economics? Why is it important? How does government use economics?

Readings

The Naked Economist Chapters 1 and 3

Newspaper articles to be distributed via email.

Week 2 Thursday September 15 and Monday September 19

Graphing curves. Where does demand come from? Why does demand curve look the way it does? Why does it move?

Readings

See Sakai for reading.

Newspaper articles to be distributed via email.

Week 3 Thursday September 22 and Monday September 26

Demand as marginal benefit curve. Elasticity of demand. Calculating elasticity. Why is elasticity important?

Readings

See Sakai for reading.

Newspaper articles to be distributed via email.

Week 4 Thursday September 29 and Monday October 3.

What is supply? Where does supply come from? Why does supply curve look the way it does? Why does it move? Elasticity of supply.

Readings

The Naked Economist Chapter 6.

See Sakai for reading.

Newspaper articles to be distributed via email.

Homework 1 due on Monday October 3.

Week 5 Thursday October 6 and Monday October 10

Thursday October 6: Review
Monday October 10: Midterm

Week 6 Thursday October 13 and Monday October 17

Demand and supply together. Equilibrium. Shortages and surpluses.

Readings

See Sakai for reading.

Newspaper articles to be distributed via email.

No Class on Thursday October 20

Week 7. Monday October 24 and Thursday October 27

Consumer and Producer Surplus. Welfare economics.

Readings

See Sakai for reading.

Newspaper articles to be distributed via email.

Week 8 Monday October 31 and Thursday November 3

Government interference in working markets, taxes, tariffs, price supports.

Readings

The Naked Economist Chapter 4.

Newspaper articles to be distributed via email.

Week 9 Monday November 7 and Thursday November 10

Market Failure: Market power. Monopoly and Oligopoly.

Readings

See Sakai for reading.

Newspaper articles to be distributed via email.

Homework 2 due Thursday November 10.

Week 10 Monday November 14 and Thursday November 17

Monday November 14: Review

Thursday November 17: Midterm

Week 11 Tuesday November 22 and Monday November 28

Market Failure: Information Asymmetry

Readings

The Naked Economist Chapter 5.

Newspaper articles to be distributed via email.

Week 12 Thursday December 1 and Monday December 5

Market Failure: Externalities, Public Goods and the Tragedy of the Commons

Readings

Reread The Naked Economist Chapter 3.

See Sakai for reading.

Newspaper articles to be distributed via email.

Week 13 Thursday December 8 and Monday December 12

Trade, Globalization and Development

Readings

The Naked Economist Chapter 12 and 13.

Newspaper articles to be distributed via email.

Homework 3 due Monday December 12.

Week 14 Thursday December 15

Where does this leave us and review.