LPSC 6313
ECONOMIC ANALYSIS FOR LAW, POLICY, AND PLANNING

Fall 2013

Monday 5:15-7:45
Ryder 247

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Course Description:
Public policy in the United States reflects a variety of perspectives and influences, among the most important of which is economics. This course is designed to introduce you to the framework of economics and to explain how economics can be and is used to analyze public issues, policies, and programs. To achieve these objectives, the course develops the basic concepts of microeconomics, focusing on the crucial role of incentives. It then analyzes models of economic and non-economic behavior and evaluates the operation of well-functioning markets. Next it investigates the ways in which markets may fail and the rationales for (and limits of) government intervention. Examples of the application of economics to important contemporary policy issues will be introduced throughout, and several will be analyzed in detail in the second half of the course. You also will have an opportunity to undertake your own economic analysis of a policy question.

Course requirements:
Classes will consist of both lecture and discussion. You will be expected to keep up on readings in order to speed up lectures and be prepared for class discussion. The following textbooks will be used extensively in this course:

Cassidy, How Markets Fail (2009)

Other readings will be either accessible through links or posted on blackboard. Please note that for copyright reasons you may download the posted readings only once and only for the purpose of this course.

There will be a midterm exam focusing on the framework of economics on October 7 and a final exam oriented toward the application of economics to policy issues. In addition, you will be assigned three homework problems sets, a research paper, and an op-ed piece. Both of latter will be described more fully later on. You will be expected to monitor blackboard where assignments, changes, and other information will be posted.

Please note that unless you have my prior explicit permission, failure to take an exam at the assigned time or tardiness in submitting any required work will result in a grade of F. All students must do their own work on exams, homeworks, and papers. Academic dishonesty is a serious violation of university policy and will be treated accordingly.
OUTLINE

I. The Framework of Economic Analysis

1. Introduction (Sept. 9)
   Bellinger, ch. 1

2. Markets and Their Failures (Sept. 16, 23)
   Bellinger, ch. 3, 4
   Cassidy, ch. 2-6

3. Government and Its Limitations (Sept. 23, 30)
   Bellinger, ch. 5
   Gruber, Public Finance and Public Policy (4/e), ch. 9 (pp. 251-259)
   Cassidy, ch. 10-12

II. Applications to Public Policies

4. Externalities and Policy (Oct. 21)
   Bellinger, ch. 13
   Gruber, ch. 5

5. Market Power and Policy (Oct. 28)
   Viscusi et al, Economics of Regulation and Antitrust (4/e)
   ch. 1
   Ch. 2 (pp. 13-30)
   Ch. 3
   Ch. 10 (pp. 375-396)
   Ch. 11 (pp. 401-411)
   Ch. 12 (pp. 453-461)

6. Information, Behavior, and Policy toward Financial Markets (Nov. 4)
   Cassidy, ch. 13-21
   Shiller, Irrational Exuberance (2/e), ch. 8, 9
   Fox, "Is the Market Rational?" CNN Money, Dec. 9, 2002
   Campbell, "The Regulation of Consumer Financial Products," 2010
7. The Provision of Public Goods and Services (Nov. 18)
   Bellinger, ch. 12
   Gruber, ch. 7
   Donatay, *The Privatization Decision*
   ch. 7, Local Service Contracting
   Ch. 8, The Private Prisons Debate

   Bellinger, ch. 14, 15
   Gruber, ch. 12, 15, 16

III. Issues and Approaches (Dec. 2)

9. Ethics and Obstacles
   Bellinger, ch. 2
   Wheelen, *Introduction to Public Policy*, ch. 2
   Halp and Tetlock, "Has Economic Analysis Improved Regulatory Decisions?" *Journal of Economic Perspectives*, 2008

10. Cost-Benefit Analysis
    Bellinger, ch. 6, 7 (ch. 8-10)