



THE ROBERT DAY SCHOOL
CLAREMONT MCKENNA COLLEGE

Economics 75
The Economics of Public Policy
Spring 2025

Professor Eric Helland
BC 305
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Office Hours: 90mins/week each

Professor Cameron Shelton
BC 322
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Office Hours: 90mins/week each

Schedule

Classes: MW 11:10-12:25

Course Objectives

The primary objective of the course is to train students to employ the economist's approach—simple theories backed by evidence—to the analysis of important questions in public policy.

This course covers sophisticated topics in both micro and macroeconomics but does not require calculus. Microeconomics deals with decision making by individuals or organizations. Our topics will focus on decision-making in the face of scarcity, the advantages of decentralized markets, and the circumstances that produce market failure or missing markets from which spring potential rationales for government intervention. Macroeconomics, in contrast to microeconomics, deals with economic aggregates. We will focus on fiscal and monetary policy and determinants of long run economic growth.

In each unit of the course, we will introduce a foundational model and work to apply it to a variety of situations. Students will learn from in-class experiments, readings, and lectures. A half-dozen times throughout the semester, the professors will engage in an in-class debate to showcase polite, evidence-based disagreement and discussion about issues of interest to economic policy.

Course prerequisites

Students are expected to have had an introductory course in microeconomics. This can be AP or IB economics, Econ 50, or another college level principles of economics.

Required Texts

Goolsbee, Levitt, Syverson. *Microeconomics*. Third Edition. 2020. [GLS]

In addition, there are several readings posted on Sakai (<https://sakai.claremont.edu>).

Grading, Course Requirements, and Expectations

You will receive a letter grade for each of the following four modes of evaluation in the course. These letter grades will then be weighted as follows to find your grade for the course.

- Participation: 10%
- Homework: 20%
- Policy Memos: 20%
- Exams: 50%

Participation in discussions, experiments, and debates: 10%

You must attend these in person.

Debates: For the first portion of class, Professors Helland and Shelton will take sides of a proposition, present arguments and rebut opposing arguments, while citing evidence. The second portion of the class will be Q&A involving professors and students to further explore the points raised in argument and readings.

Experiments: these are participatory exercises intended to memorably highlight key results in the field.

Exams: 50%

There will be three in-class exams: two midterms and a final. Each will each be worth 100 points. Since the material builds upon itself, each exam will be comprehensive, although more recent applications will be emphasized. There are no alternative times. Should you have an absence legitimized by a doctor's note, you will be excused from that exam and your exam grade for the semester will be based on the remaining two exams. If you are unable to take more than two exams, you will need to drop the class.

Midterm 1 will be on XXX and Midterm 2 will be on XXX in class. The final is XXX. You cannot take this course if you are not available on those days.

Homework: 20 %

There will be seven homework sets consisting of short answer questions. Homework due dates are listed on the syllabus. All homework must be typed and turned in via Sakai. Email submissions are not acceptable.

Policy Memos: 20%

We will have six policy memos during the semester linked to the in-class debates. You must submit five of them. These will be 800-1200 word papers responding to specific prompts addressing the topics covered in the course. Late memos will not be accepted.

There is no "extra credit" in this course.

Accommodations:

If you have already established accommodations with Disability Services at CMC, please forward me your accommodation letter. If you have not yet established accommodations through Disability Services, but have a disability, please contact Assistant Dean for Disability Services & Academic Success at accessibilityservices@cmc.edu to begin the process. Please note that arrangements must be made with advance notice. While you are able to request accommodations from CMC Disability Services at any point in the semester, this process may take some time to complete and accommodations are not retroactive.

If you are not a CMC student, please connect with the Disability Services Coordinator on your campus regarding a similar process.

If your accommodations involve the exams, you must contact me a week before each exam to arrange the accommodation. Accommodations cannot be arranged the day of the exam.

Course Outline

Unit 1: Markets and Welfare

Wed 1/22: Supply, Demand, and Equilibrium [Lecture and Experiment]

Readings:

- GLS 2.1 – 2.4
- Landsburg, ch8
- Harford, ch3

Mon 1/27: Welfare Economics, Indifference Curves, Edgeworth Boxes, and the Core [Lecture]

Readings:

- GLS 15.2 – 15.7

Wed 1/29: Competitive Markets and Market Failures [Lecture]

Readings:

- Vox, Nathaniel Johnson, 2015, "California has a real water market but it's not exactly liquid"

Homework 1: Supply and Demand, Welfare, Competitive Markets

Mon 2/3: Rent Control [Debate]

Readings:

- Sowell, ch 3
- Arnott, Richard. "Time for revisionism on rent control?" *Journal of Economic Perspectives* 9.1 (1995): 99-120.

Wed 2/5: Asymmetric Information and Insurance [Lecture]

Readings:

- GLS 16

Memo 1: Rent Control

Unit 2: Elasticity & Welfare

Mon 2/10: Elasticity in the Short and Long Run [Lecture]

Readings:

- GLS 3.1 – 3.5
- *Is Santa a deadweight loss?* The Economist [online]

Wed 2/12: Tax Incidence: Education tax credits and housing subsidies [Lecture]

Readings:

- Cellini and Goldin. 2014. “Does Federal Student Aid Raise Tuition? New Evidence on For-Profit Colleges.” *American Economic Journal: Economic Policy*. 6(4): 174-206

Homework 2: Elasticity & Incidence

Unit 3: Monopoly and its Consequences

Mon 2/17: Monopoly & Monopsony [Lecture]

Readings:

- GLS 9

Mon 2/19: Rents, Collusion, Price Discrimination [Lecture]

Readings:

- GLS 10
- *Rent-Seek and You Will Find*, Mike Munger [online]

Homework 3: Monopoly and Price Discrimination

Wed 2/24: Example: Social Media Regulation [Debate]

Readings:

- Allcott, Hunt, and Matthew Gentzkow. 2017. “Social Media and Fake News in the 2016 Election.” *Journal of Economic Perspectives* 31 (2): 211–36
- Greenstein, Shane, Martin Peitz, and Tommaso Valletti. 2016. “Net Neutrality: A Fast Lane to Understanding the Trade-Offs.” *Journal of Economic Perspectives* 30 (2): 127–50

Wed 2/26: Exam 1

Memo 2: Social Media

Unit 4: Externalities & Public Goods

Mon 3/3: Externalities, Pigouvian Taxes, and Coase [Lecture]

Readings:

- GLS 17
- *Why some shops drop*, Economist [online]
- *Pigouvian taxes*, The Economist [online]

Wed 3/5: Public Goods and the Commons [Experiments]

Readings:

- GLS 12.1 – 12.3

Homework 4: Externalities and Public Goods

Mon 3/10: Collective Action [Lecture]

Readings:

- Olson *The Logic of Collective Action*. 1965. Harvard University Press. chapters 1 and 2

Wed 3/12: Carbon tax [Debate]

Readings:

- The Tax that Could Save the World, Chicago Booth Review (<https://review.chicagobooth.edu/economics/2019/article/tax-could-save-world>)

Memo 3: Carbon Tax

Mon 3/17: Spring Break

Wed 3/19: Spring Break

Unit 5: Labor Markets

Mon 3/24: Labor Markets and Income Distribution [Lecture]

Readings:

- Mankiw, N. Gregory. 2013. "Defending the One Percent." *Journal of Economic Perspectives* 27 (3): 21–34.

Wed 3/26: Discrimination in Labor Markets [Lecture]

Readings:

- Lang, ch 10, 11

Homework 5: Collective Action, Labor Markets and Discrimination

Mon 3/31: Immigration [Debate]

Readings:

- The Great Mariel Boatlift Debate WSJ, Slate Article on Borjas
- Economics and Emigration: Trillion-Dollar Bills on the Sidewalk? By Michael A. Clemens JEP

Wed 4/2: Minimum Wage [Debate]

Readings:

- Planet Money Episode 562: A Mall Divided

Memos 4 & 5: Immigration and Minimum Wage

Mon 4/7: Exam 2

Unit 6: Long-Run Economic Growth

Wed 4/9: History of Economic Growth [Lecture]

Readings:

- Jones, Charles. 2015. "The Facts of Economic Growth" NBER Working paper sections 1,2,4.

Mon 4/14: The Malthusian Economy [Lecture]

Readings:

- Clark, chapters 1-3

Wed 4/16: Public Policy with Exponential Growth and Linear Constraints [Lecture]

Readings:

- Cowen, Tyler (2024) *GOAT: Who is the Greatest Economist of all Time and Why Does it Matter?* Chapter VII. Malthus as GOAT, and are we all doomed?

Mon 4/21: Growth Empirics [Lecture]

Readings:

- Acemoglu, Johnson, and Robinson. 2005. "Institutions as a fundamental cause of long-run growth" *Handbook of Economic Growth*, 1:385-472.

Homework 6: Malthus and Growth

Wed 4/23: Institutions or Human Capital? [Debate]

Readings:

- Glaesar, La Porta, Lopez-di-Silanes, Shleifer. 2004. "Do Institutions Cause Growth?" *Journal of Economic Growth*, 9(3) 271-300.

Memo 6: Institutions, human capital, and growth

Unit 7: Aggregate Demand Policy

Mon 4/28: Demand Stabilization [Lecture]

Readings:

- Mankiw, *Macroeconomics*, chapter 10

Wed 4/30: Phillips Curves, Beveridge Curves and Monetary Policy [Lecture]

Readings:

- Crust, Lansing, and Petrosky-Nadeau. 2023. "Reducing Inflation along a Nonlinear Phillips Curve." FRBSF Economic Letter 2023-17.

- Bok, Petrosky-Nadeau, Valletta, and Yilma. FRBSF Economic Letter “Finding a Soft Landing along the Beveridge Curve” August 29, 2022

Mon 5/5: Deficits and Fiscal Multipliers [Lecture]

Readings:

- Ramey, Valerie. 2019. “Ten Years After the Financial Crisis: What Have We Learned from the Renaissance in Fiscal Research?” *Journal of Economic Perspectives*, 33(2): 89-114.

Homework 7: Macro Policy

Registrar Scheduled Final Date TBD: Exam 3