

G406 Readings

January 7, 9. Markets. Chapter 1.

“Free Market Food Banks,” Alex Tabarrok, *Marginal Revolution*. What does Feeding America do? Why did the auction system work out so well for Feeding America? Why are negative prices part of the Feeding America system?

“I, Pencil,” Leonard Reed, *The Freeman*. What does the pencil mean when he says nobody knows how to make him? In what sense do none of the “millions of human beings” who help create the pencil want it? Why does the pencil say that coffee is one of the ingredients in its creation?

January 14, 16. Market failure. Chapter 2.

“Property,” James Madison. In what sense, according to Madison, does someone have property rights in their religious opinions? Why does Madison say property is not secure if governments can restrict a person’s choice of occupation? What do you think Madison would say about letting someone sell his right to express his opinions to someone else, who then would have the legal right to shut him up?

“Well, Hush My Mouth: Congress Is Moving against LOUD Ads: After Decades of Complaints, Law Makers Are Yielding to Popular Demand,” *The Wall Street Journal*. What externality, if any, does the loudness of a TV ad create? Why would TV networks self-regulate in their choice of loudness of ads? Would a good solution be to ban TV ads completely?

January 23, 28. Government failure. Chapter 3.

“Chairman’s Flight’ Offered by United Draws Federal Scrutiny,” *The Chicago Tribune*. What is the ‘Chairman’s flight’? How did United make up for its money-losing South Carolina flights? Would total surplus decline if airlines were allowed to bribe politicians?

“Has the D.C. Cab Commission Forgotten Who It Serves?” *The Washington Post*, Joshua D. Wright. Why did the FTC criticize the DC Taxicab Commission? Why would a city government block Uber if Uber’s entry would benefit riders more than it hurt competitors? Why shouldn’t a city government keep Uber from damaging local cab operators?

January 30, February 4,6. Government design. Chapter 4.

“EPA Wants New Rules to Rely Solely on Public Data; Agency Says Proposal Means Transparency; Scientists See Public-Health Risk,” *The Wall Street Journal Online*. Should the EPA only rely on scientific studies that release their data so other scientists can check them? What are arguments in favor of the EPA only using publicly available information to justify regulations? What are arguments in favor of the EPA using studies that do not disclose their data?

“Frustrated State Department Employees Hire Attorneys, Charging ‘Political Retribution,’” *CNN* (2018). Why are some State Department employees frustrated? What are arguments in favor of and against the Secretary of State being able to reassign employees he thinks are not supporting his policies?

February 11, 13, 18. Time and life. Chapter 5.

“Sustainability and the Discount Rate: An Economists Perspective,” Randall Pozdena *Oregon State Bar: Sustainable Future Section*. What is the “revealed preference” view of choosing a discount rate for government policy? Why should the government use a positive discount rate at all? What do you think of Lord Stern’s choice of a 1.4% discount rate?

“E.P.A. Drops Age-Based Cost Studies,” Katharine Seelye and John Tierney, *The New York Times*. What did the EPA do that caused public uproar? Are the lives of old people worth less than the lives of children? Why would environmentalists like data from old people to be excluded in calculating the value of a statistical life?

February 20, 25, 27. Externalities. Chapter 6.

“Poor Countries Shouldnt Sacrifice Growth to Fight Climate Change,” Charles Kenny, *Bloomberg BusinessWeek*. Why did greenhouse gases rise faster 2000-2010 than earlier? Why does Kenny say poor countries shouldn’t sacrifice growth to fight climate change? What could poor countries do to both cut carbon emissions and increase economic growth?

“Lawn Wars: Leaf Blower Opponents Seek Peaceful Resolution to Neighborly Feud,” *The Guardian*. What externalities are involved with respect to leaf blowers? Should leaf blowers be banned? Can you think of a solution analogous to using taxes or quotas?

March 4. Midterm.

March 6, 18 Conservation Chapter 7.

“The American Recycling Business Is a Mess: Can Big Waste Fix It?” Claire Groden, *Fortune*. What does “Big Waste” refer to, and why would it have anything to do with recycling? What regulations should “Big Waste” lobby for if profit is their only incentive? Why are low oil prices bad for “Big Waste”?

“Recycling: Can It Be Wrong, When It Feels So Right?” Michael Munger, *Cato Unbound*. Why does Professor Munger object to recycling green glass? What is his distinction between “garbage” and “resources”? What is the difference between the “moral duty” and the “economic” perspectives on recycling?

March 20, 25, 27. Monopoly. Chapter 8.

“\$54B Deal Will Spawn Daunting Anthem-Cigna, Expert Says,” *Law360*. How does the hypothetical monopolist test apply to the Anthem-Cigna merger? Why does

the government think it's bad that the merged company would be able to reduce payments to hospitals? Since employers could make deals directly with hospitals to avoid paying an insurance company to do it, why would a merger cause any concern to them?

[“EU to Fine Truck Makers over Price-Fixing and Other Collusion,”](#) *The Wall Street Journal*. How much higher are the fines in this case than in the second-largest ever European antitrust case? Why aren't the Volkswagen companies making provision for paying antitrust fines? Why would damage payouts be a large amount?

April 1, 3. Natural monopoly. Chapter 9.

[“Who's Afraid of Comcast?”](#) Jack Shafer, *Reuters*. Why is there so little competition among cable TV companies? What is Google's strategy? At \$4,000 per subscriber present value, what is the annual value of a Comcast customer?

[“Price Caps, Rate-of-Return Regulation, and the Cost of Capital,”](#) Ian Alexander and Timothy Irwin, The World Bank. What is the beta of a company? What are typical betas for public utility companies? How does rate of return regulation differ from price cap regulation?

April 8, 10. Information. Chapter 10.

[“Why the Newest Sunscreens Still Haven't Hit the U.S. Market,”](#) *The Washington Post*. Why haven't the newest sunscreens hit the U.S. market? What has the FDA preferred to do about sunscreens instead of approving new ones? Why couldn't unanimous Congressional Republicans and Democrats get the FDA to take action?

[“The Skeptical Consumer - How Behavioral Economics Can Influence the Adoption of Self-Driving Cars,”](#) Doug Salvemini, *Fox Business*. How do control and risk interact in a cognitive bias against driverless cars? How could negative framing be used to encourage adoption of driverless cars? Why will the availability heuristic create a bias against adopting driverless cars?

April 15, 17. Regulating labor. Chapter 11.

[“The \\$6-an-Hour Health Minimum Wage,”](#) John Goodman, *National Center for Policy Analysis Health Policy Blog*. What does John Goodman mean by saying there is a \$6/hour health minimum wage? How is the effect of mandatory health coverage different for low-income workers than for medium-income workers? Goodman asks “Can you think of another explanation for the ACA?” What is he talking about?

[“Why Should Stage Hands at Carnegie Hall Make \\$400,000?”](#) Susan Adams, *Forbes*. Why shouldn't stage hands at Carnegie Hall make \$400,000? Is their high income due to their being good negotiators? Is their high income any different from the high income of major league baseball players?

April 22, 24. Telecommunications. Chapter 12.

[“Regulatory Warfare Ensnarers the Wireless World,”](#) *The San Francisco Examiner*.

How is telecom regulation like land zoning? Why was Mr. Falcone able to buy LightSquared so cheaply? Is it true that Verizon and ATT were “using regulation to crush smaller competitors and take away consumer choice”?

[“Neutrality’ for Thee, But Not for Google, Facebook and Amazon,”](#) *The Wall*

Street Journal. Why does the author say that Google’s own practices violate the principle of net neutrality? How do Google, Apple, and Amazon have power over Internet users? What kinds of market failure are behind the statement that “the implications are frightening”?