

ECON 222 Written Assignment #2

Due: Sunday, October 25, 2020 at 11:59 PM

Submit in Dropbox on Blackboard

Graded out of 10 points

Style requirements: Longer than 1 page, but no more than 3 pages.
Double-spaced
11 or 12 pt. font (standard, professional font – NOT one like this)
Spend time on the content, not the formatting
Need to submit a Microsoft Word document (ends in .docx or .doc)

Background: Read [this article](#) about the drug Daraprim, which was made famous when “Pharma Bro” Martin Shkreli increased the price from \$13.50 per tablet to \$750 per tablet overnight. This is not an isolated incident, see [EpiPen](#) and [Acthar](#) for two more examples.

Assignment: This assignment has two parts.

- (1) Write about the economic reasons pharmaceutical companies like those listed above can increase prices the way that they have and remain profitable. This description should not contain any government actions, but characteristics about consumers and firms in this market.
- (2) Then, consider a price ceiling on pharmaceutical drugs (such as those above). Present **both** pros and cons of a price ceiling in this market from an *economic* viewpoint. Include two sources (preferably one “pro” source and one “con” source) to support your arguments. The goal of this exercise is for you to produce a short essay explaining the economic reasons why the US should implement a price ceiling in this case, **and** why the US should not. Both views should be supported by economic concepts/arguments (costs, quality, efficiency, etc.).

If you wish, you can center your argument around a vaccine for COVID-19 and the costs and benefits of the vaccine being provided with a price ceiling in place (note that offering it at zero cost is effectively a price ceiling of \$0).

I do not expect you to form an opinion on what you think *should* happen, nor do I expect you to write about that. The goal is for you to critically think about such a policy through the economic arguments for and against it.

Please cite and include the **two** sources you used to support your points: title of the article, the publisher (where you got it from), and the url if you accessed it online.

Some potential sources to start from: New York Times, Wall Street Journal, Washington Post, FiveThirtyEight, Krugman’s Blog, Mankiw’s Blog (and other blogs by economists), Econofact.org, The Economist, The Atlantic, The Brookings Institute, NPR, etc..

Please avoid sources like procon.org and similar websites. Although these are good starting points, I would rather you get your sources from other websites.

Your grade is based on the following:

- 5 points: economic *for* argument
- 5 points: economic *against* argument
- points will be taken away for non-economic arguments either for or against, arguments that are not clear, or communication that is not clear.