



JACK, JOSEPH AND MORTON MANDEL  
SCHOOL OF APPLIED SOCIAL SCIENCES  
CASE WESTERN RESERVE  
UNIVERSITY

## **SASS 424: *Nonprofit Economics***

Dennis R. Young, Ph.D., Distinguished Visiting Professor  
Spring 2020

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Class Days:	Tuesdays 4:00 -6:00pm	
Course Rm.:	TBA	
Class number:	10368	

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### **Course Description**

Managers and leaders of nonprofit organizations and other social enterprises are faced with many decisions that involve the allocation of scarce resources and achievement of goals, including decisions about finances; human resources; marketing of goods and services; mobilizing capacity to efficiently address social goals; collaborating and competing in the market with other organizations; long term planning; and analysis of public policies affecting their organizations and constituencies. The purpose of this course is to educate the student in basic economics vocabulary, concepts and ways of thinking, to assist in making more effective and efficient resource-related choices. The emphasis of the course is on applying economic concepts and principles, such as opportunity cost, thinking at the margin, risk, and cost-benefit analysis, to nonprofit-specific concerns such as goal achievement, resource development and fund raising, service delivery and pricing, advocacy, engagement of volunteers, and organizational growth and development.

### **Course Objectives**

Upon completion, the student should:

- Understand and be able to explain how fundamental ideas and concepts from micro-economics can be helpful in making a wide variety of decisions and addressing numerous issues faced by nonprofits and social enterprises

- Be able to apply the vocabulary and basic tools of economics to analyze critical management and policy issues confronting contemporary nonprofit organizations and social enterprises

### **Methods to Attain Course Objectives**

The format of this course will include class lectures, discussions, and interactive/participatory learning exercises. It is expected that the student will come to class having completed the required readings and be well prepared for full participation.

### **Instructor Responsibilities**

- Deliver appropriate lectures.
- Develop discussion modules and facilitate them.
- Design and implement learning activities that cater to different learning styles.
- Review/evaluate students' work and provide constructive feedback.

### **Student Responsibilities**

- Actively engage in learning and skills development.
- Attend class.
- Arrive on time and remain for the full duration of the class meeting.
- Participate in class discussions and other learning activities.
- Prepare for class by completing all required readings in advance.
- Complete all assignments on time.
- Advise the instructor if you cannot attend a class.
- Abide by the Professional Code of Conduct, Plagiarism Guidelines, Attendance Policy, and Processes for Filing and Finishing Incompletes as outlined below.

### **Professional Code of Conduct**

Failure to meet generally accepted standards of professional conduct, personal integrity or emotional stability requisite for professional practice, as well as inappropriate or disruptive behavior toward colleagues, faculty, or staff (at school or field placement) will be the basis for nonacademic termination policies.

### **Plagiarism**

The submission of work done by another with the intent that it be viewed and evaluated as one's own. Thus, copying on an examination, turning in a term paper or homework assignment done by someone else, intentionally using or presenting false data, and making extensive use of sources without acknowledging them are all interpreted as acts of plagiarism.

## **Incompletes**

A grade of Incomplete is given at the end of the semester only when a student has discussed the matter with his/her instructor and there are extenuating circumstances that clearly justify an extension beyond the requirements established for the other students in the class.

## **Mandel School Attendance Policy**

Students who miss more than 20 percent of class meetings (3 or more sessions), for any reason, will be required to withdraw from the class or receive a failing grade. If this becomes an issue for you, please discuss with the professor before exceeding the maximum number of allowed absences. Due to the seminar style, highly interactive and participatory nature of the Mandel School's courses, flexible attendance accommodations are not applicable. If you are a student with a disability, and have concerns regarding meeting the attendance requirements for this course, please reach out to the staff in Disability Resources ([disability@case.edu](mailto:disability@case.edu) or 216-368-5230) to discuss your accommodations.

## **Statement on Disability**

If you need accommodations for a disability, please contact the Office of Disability Services at 368-5230 (<http://studentaffairs.case.edu/education/disability>) for a Letter of Accommodation, and bring it to the instructor early in the semester so that we can discuss your need.

## **Online Course Evaluations**

You will receive an e-mail one week prior to the last day of classes reminding you that the end-of-semester evaluations will soon be available on line. The e-mail will also specify the timeframe for completion. The link for completing evaluations is: <https://its-services.case.edu/course-evals/evaluate>.

The evaluation serves several important functions. Personally, it allows you to reflect on the course and how it impacted your learning. Educationally, it allows the Curriculum Committee to assess the quality of the course in the overall programming for social work practice. Administratively, faculty members use the feedback to improve instruction. Because this evaluation plays a significant role at the school, your full and careful attention is appreciated.

## **Required Texts and Suggested Resources**

Dennis R. Young, Richard Steinberg, Rosemarie Emanuele and Walter O. Simmons, 2019. *Economics for Nonprofit Managers and Social Entrepreneurs*, Edward Elgar Publishers

Other key references are suggested for further reading including:

Jean Tirole, 2017. *Economics for the Common Good*. Princeton University Press

Bruce A. Seaman and Dennis R. Young (eds.), 2018. *Handbook of Research on Nonprofit Economics and Management, 2<sup>nd</sup> edition*. Edward Elgar Publishers

Dennis R. Young, Elizabeth A.M. Searing and Cassidy V. Brewer (eds.), 2016. *The Social Enterprise Zoo*. Edward Elgar Publishers

Dennis R. Young, 2017. *Financing Nonprofits and Other Social Enterprises*, Edward Elgar Publishers

It is also recommended that you read *The Economist* weekly magazine, especially the *Schumpeter* column.

### **Course Requirements**

1. Complete all reading assignments on time and be prepared to discuss them in class.
2. Complete all written assignments on time.
3. Participate vigorously in class discussions and group exercises.
4. Write a term paper that applies concepts learned in class to decisions facing a nonprofit organization or social enterprise, or to a public policy issue relevant to nonprofits and social enterprise.

### **Term Paper**

The term paper should apply concepts learned in class to a decision of a particular nonprofit organization or social enterprise **or** to a public policy issue affecting nonprofits and/or social enterprises. In the former case, the paper should offer original analysis based on information collected from the organization through interviews and/or published sources, and citations of relevant literature about the nature of the decision involved. In the latter case, the paper should include a review of relevant research literature on the policy issue, and collection and analysis of data from public sources. In either case, the paper should demonstrate understanding of concepts learned in class and how they apply to the particular subject at hand. Examples and issues referenced in class, in the text book and in additional readings made available through Canvas may be helpful in choosing the subject of your paper.

Term papers should be approximately 2500 word in length; somewhat longer papers will be accepted if more length is required to complete a full discussion and analysis. Students are encouraged to consult the instructor during the semester as they identify and shape the

topics of their papers. A one page proposal should be submitted for approval before Spring Break (March 10<sup>th</sup>). Papers should be properly documented, with formal citations to all key sources of information.

**Canvas**

Canvas will be used to conduct class business including listing, submission and grading of assignments, provision of supplemental readings, discussion groups, and announcements pertaining to the class over the course of the semester. Students are responsible for consulting Canvas in order to keep up to date with the class.

**Grading**

Grades will be based on class participation including attendance and contributions to class discussion, written assignments, presentation of assignments in class, and the final written paper, as follows:

Participation in class	20%
Written assignments	40%
Term paper	40%

<b>Grade</b>	<b>Points</b>	<b>Meaning</b>	<b>Explanation</b>
A	96-100	Outstanding/ Superior	Exceptional performance; consistently exceeds expectations
A-	92-95	Excellent	Strong performance; often exceeds expectations
B+	89-91	Very Good	Consistently meets and occasionally exceeds expectations
B	85-88	Good	Meets expectations
B-	82-84	Somewhat Below Expectations	Sometimes falls short of expectations
C+	79-81	Often Below Expectations	Often falls short of expectations
C	75-78	Below Expectations	Unevenness or inconsistent in grasp of content and experience
C-	72-74	Well Below Expectations	Very inconsistent in grasp of content and experience
F	Below 72	Fail	Complete lack of grasp of content and experience; does not meet minimal expectations
I	0	Incomplete	Automatically becomes an "F" by instructor if work is not completed within the specified time period
W	0		Official withdrawal

## Course Outline

### *January*

14<sup>th</sup>

Topic: Why Should Nonprofit Managers Study Economics?

Read: Chapter 1

Key concepts: efficiency; equity; incentives; value and scarcity

In-class group exercise: Exercise No. 6, page 31

21<sup>st</sup>

Topic: Economic Functions

Read: Chapter 4

Key concepts: function; total, average and marginal; fixed and variable

Written assignment 1: Exercise No. 1, parts (a) through (e), p.113

In-class group exercise: Exercise No. 2, pp. 114-115

28<sup>th</sup>

Topic: Thinking at the Margin

Read: Chapter 5

Key concepts: margin; marginal product; objective function

Written assignment 2: Exercise No.1, page 141

In-class group exercise: Exercise No.6, page 142

### *February*

4<sup>th</sup>

Topic: The Concept of Cost

Read: Chapter 6

Key concepts: opportunity cost; present value; sunk cost

Written assignment 3: Exercise No.2, page 162

In-class group exercise: Read "Learning to live with it", *The Economist*, Sept. 21.

2019, p. 82. Discuss the following questions: "What are the costs and benefits over time of investing in infrastructure to cope with climate change?" "How does the choice of discount rate affect decisions about what investments should be made?"

11<sup>th</sup>

Topic: Markets (1)

Read: Chapter 7

Key concepts: demand; supply; equilibrium; comparative statics

Written assignment 4: Exercise No.1, parts (a), (b) and (c).

In-class exercise: Exercise, No.1, part (d)

18<sup>th</sup>

Topic: Markets (2)  
Key concepts: elasticity; short run; long run  
Read: Chapter 7  
Written assignment 5: Exercise No.6, page 200  
In-class group exercise: Exercise No.2, page 199

25<sup>th</sup>

Topic: Market Power  
Key concepts: perfect competition; monopoly; monopolistic competition; monopsony; oligopoly  
Read: Chapter 8  
Written assignment 6: Exercise No.3, page 222  
In-class group exercise: Read “Can Uber ever make money?”, *The Economist*, April 25, 2019, p.60. Discuss the following questions: “How would you characterize the market in which Uber participates – perfective competition? monopolistic competition? monopoly? oligopoly? What are the implications of your answer for the survival and profitability of firms like Uber? What are the implications for public policy?”

*March*

3<sup>rd</sup>

Topic: Pricing and Other Applications of Market Analysis  
Key concepts: taxes; subsidies; price discrimination  
Read: Chapter 9  
Written assignment 7: Exercise No.3, page 256  
In-class group exercise: Read “Soda stream” in *The Economist*, May 25<sup>th</sup> 2019, page 73, and address the following questions: What are the expected behavioral effects of a tax on sugary soft drinks? How is the desirability of such a tax dependent on the price elasticity of demand?

10<sup>th</sup> SPRING BREAK (term paper proposals due)

17<sup>th</sup>

Topic: Decision-making Under Risk  
Key concepts: probability; expected value; risk preference; certainty equivalent  
Read: Chapter 10  
Written assignment 8: Exercise No.1, page 278  
In-class group exercise: Exercise No. 3. In addition to the questions listed, determine the maximum that CFNF should pay for additional information if it is a risk-neutral decision-maker.

24<sup>th</sup>

Topic: Collaboration and Competition

Key concepts: game theory; zero-sum and non-zero sum games; Nash equilibrium; dominant strategies; prisoner's dilemma

Read: Chapter 11

Written assignment 9: Exercise No.4, page 308

In-class group exercise: Exercise No.3, page 307-308

31<sup>st</sup>

Topic: Ideas from Behavioral Economics

Key concepts: valence framing; default option; free riding; bounded vs. hyper-rationality

Read: Chapter 12

Written assignment 10: Exercise No.5, page 334

In-class group exercise: Read "Cut-price economics", *The Economist*, August 10, 2019, page 62, and address the following questions: How do ideas from behavioral economics help us understand the phenomena of quantum pricing and price-quality trade-offs? Is such behavior irrational? Can you cite examples of these behaviors in the nonprofit sector?

*April*

7<sup>th</sup>

Topic: Market Failure

Key concepts: market failure; externalities; public goods; transactions costs

Read: Chapter 13

Written assignment 11: Exercise No.1, page 364

In-class group exercise: Exercise No.4, page 365

14<sup>th</sup>

Topic: Cost-Benefit Analysis

Key concepts: consumer surplus; Kaldor-Hicks criterion; social benefits; distribution

Read: Chapter 14

Written assignment 12: Exercise No. 1, Case 1 (Flu prevention), page 405

In class group exercise: Exercise No.1, Case 2 (Upward Bound), page 405

21<sup>st</sup>

Topic: Applying Economics to Nonprofit Decisions (synthesis)

Key concepts: all of the above

Read: Chapter 15

In class group exercise: oral presentations of term projects

28<sup>th</sup>

Final Papers Due



