

Introduction should summarize recommendation

Compare this:

This memorandum addresses the economic impacts each of the three policy proposals will have on the nation of Pacifica. The most likely outcomes will be explained for each scenario, with an emphasis on how they will affect the economy as a whole.

To this:

The effect Pacifica's current policy banning rice imports has on low-income families has come into question. Three alternatives to the current policy have been proposed: to repeal the ban, to subsidize rice production while continuing the ban, and finally to remove the ban as well as to provide a subsidy to rice farmers. All three would benefit consumers, but only the combined ban removal and subsidy would maintain income for farmers as well as not have an overall negative impact on the national economy. Thus, I recommend support of the combined policy.

Or this:

The three policy options presented seek to reduce the cost for low-income families in Pacifica while protecting the local rice farmers that produce the nation's staple crop. With an economy that relies on agriculture as its primary industry, a policy impacting Pacifica's ability to farm rice would have a disproportionate effect on its welfare. Lifting the import ban and giving a \$3 per bag of rice subsidy to the nation's farmers is the best option to achieve these goals.

Both of these last paragraphs tell the reader where you are going and provide a brief justification. This makes evaluating what follows easier for the reader. The last introduction is especially strong, as it also clearly states what the goals of Pacifica's policy should be. This provides a framework for the discussion that follows.

Avoid unnecessary words:

Here, mentioning each legislator (e.g. Legislator X proposed) is repetitive...

Legislator A proposed removing the import ban and allowing Pacifica to trade on the world market. Legislator B proposed a subsidy for rice production, equal to the difference between the local price and the world price of rice, \$3.00, while retaining the current ban on imports. Lastly, Legislator C proposed removing the import ban and allowing free trade, yet continuing to subsidize the price of rice to aid local farmers.

This could be more simply stated as the examples on the last page, listing the three alternatives.

Similarly:

Currently the policy in Pacifica is the banning of imports of rice. There has been some concern expressed about this policy and the effect it has on low income families in Pacifica.

This could be re-written as:

Currently Pacifica bans rice imports, raising concerns about the effect of such a policy on low income families.

And...

The second proposal analyzed here is for the import ban to remain on rice and to also add a \$3 subsidy to the farmers per bag of rice sold.

Could be rewritten as:

The second proposal keeps the import ban and adds a \$3 subsidy to farmers per bag of rice sold.

Provide interpretation – use the tables for detailed numbers

Compare this:

Consumers would be able to buy rice at prices substantially lower than they would normally be able to buy it, and the farmers would in turn lose some of their profits. Most importantly, the overall net welfare gained by this policy is far larger than the other policy options, and there is no cost to the government. The key drawback of this policy is that local farmers would have to compete with producers outside the country, who can produce rice at a lower cost. This could cause a substantial hit to our local rice industry, which is one of the most important industries in the country. It is also important to point out that if the national rice industry does not survive competition with foreign producers, our nation could be reliant on foreign producers to feed our people.

Or this:

Reducing the cost of rice to consumers would allow them to purchase more than 90,000 additional bags of rice (Table 1). The concern with this option is that it would hurt farmers by decreasing the price they receive per bag while also decreasing the total amount of rice sold from domestic farms, reducing their profits by more than \$1.2 million.

To this:

With no import ban, consumers purchase 593,750 bags of rice. Local farmers supply 359,375 bags. However, since consumers would like to purchase more rice than what local farmers are able to supply, 234,375 bags of rice are imported. The change in consumer surplus, which is the difference between what a consumer wants to pay for a good and what they actually end up paying for it, is \$1,640,625.

Both of the top examples describe the general trends of the outcomes, but only mention key numbers and refer the reader to the table for details.

Clearly state any assumptions made

However, this recommended option [free trade] assumes that local rice farmers who can no longer sustain their field at the lowered price will transition successfully to another agricultural area, the island's primary industry. Though this strategy will likely receive some pushback from farmers in the short run, it would force efficiency and allow them to potentially enter the free market by exporting local goods with a comparative advantage.

...

If the assumption made in Policy 1 is not valid, and farmers cannot transition into other agricultural fields or job markets, this [free-trade & subsidy] is the island's second-best option.

This example both clearly states what assumptions are necessary for the advice to work, and also provides a fallback plan if these assumptions are not met. Providing these guidelines makes this very actionable advice, even if it means that the government may need to do a bit more research first.

However, to provide the subsidy to domestic farmers, the government will have to spend \$1.5 million. Information on numbers and income of local farmers is necessary to determine how important this government support is to farmers' quality of life, and whether similar results could be achieved by alternate government-funded programs like job retraining programs.

This example highlights what other information would be useful to have, and additional alternatives that the additional information may reveal. This is a nice way to highlight possibilities your client hasn't thought of.

Currently, all rice is bought and sold within the country. This has historically been beneficial to local farmers, but has kept prices relatively high. Because of this precedent, my understanding for the intention of the chosen policy is to improve the price for consumers while limiting the impact to local producers and create a positive net change for the Pacifica economy.

This example highlights what policy goals the writer assumes are important to achieve, which sets up the analysis that follows.

Make comparisons across options

The final proposal is a combination of the other two. It lifts the ban on imported rice and gives farmers the \$3 subsidy. The price of rice and increase in the amount of rice consumers are able to purchase is the same as the first proposal. However, the \$3 subsidy eases the cost for farmers. They would be able to produce the same amount of rice as they currently do with the import ban.

With the subsidy, local farmers could offer their rice at a competitive price and produce 500,000 bags.

By offering these comparisons, the first example above provide interpretation, rather than expecting the reader to do the work.

Below is a table showing the impact of each legislator's proposal. As you can see, no matter which option you choose, someone is being negatively affected. In the first proposal, farmers are hurt. In the second and third proposal, taxpayers are hurt. Although we are recommending the proposal that negatively affects farmers, Pacifica is unfortunately a country full of impoverished people who cannot afford to cover the \$1.5 million minimum tax bill required from the other proposals.

This paragraph both shows the value of making comparisons across groups, and also exemplifies making good use of a results table. The example directly refers readers to the table and clearly states the most important things to take away from the data.

Explain the intuition behind the effects

However, the subsidy will cost the government, and thus the taxpayers, \$1,688,750. This is a huge price for Pacifica to take on. This policy proposal will actually result in what is called a “net welfare loss,” meaning that even though the demand for and production of rice has increased, there is not enough wealth being added to the economy to cover the cost of the subsidy, and the economy as a whole will still experience a loss.

Rather than:

However, the cost of the subsidy would also have to be paid, causing taxpayers to pay an extra \$1,668,750 to cover it. This would be devastating for the market, leading to a loss of \$84,375.

The first example above provides an explanation for why the country is experiencing a loss.

Provide explanations for your recommendations:

Here are a couple of good examples providing a rationale for the chosen policy:

Simply helping local producers financially does not encourage them to improve their productivity and cut costs, so does not help the economy in the long-run. Therefore the second proposal should not be supported.

Additionally, the increase in consumer surplus will be dispersed into the economy creating an improvement in the standard of living and producing a social benefit for all of Pacifica.

Avoid technical terms

The change in consumer surplus is one of the three components that describes how effective a policy is on a country's wealth. A higher consumer surplus corresponds to a higher benefit to all consumers in Pacifica. It raises their standard of living because they get more benefits out of what they are buying or they get what they are buying at a cheaper price than they did before.

The net benefits gained by consumers, which economists call consumer surplus, increase by \$1,640,625.

Consumer well-being increases by \$1,640,625.

The consumer surplus would increase by \$1,640,625.

The above examples (except for the last) either avoid the term consumer surplus or use it while providing a more intuitive explanation of what consumer surplus is. Both are preferred to the last example.

As a result, the domestic rice market is currently operating at equilibrium.

This uses the term equilibrium incorrectly. Each policy leads to a new equilibrium. The fact that we also start in equilibrium is irrelevant.

To analyze the options I determined the cost per bag of rice for farmers and the amount farmers would receive per bag of rice under each policy. I used that to determine the number of bags of rice consumers would purchase, local farmers would sell, and the total quantity of bags imported under each proposal. With those quantities I was able to calculate the total dollar amount each of the affected groups – families, farmers, and taxpayers – would gain or lose. Finally, once I knew how much each party would gain or lose, I could determine the net gain or loss to the system overall. I use this net gain or loss to make my recommendation.

While it isn't necessary to outline how you did the work, this is a good example of explaining the methods intuitively, without using any technical language.