Microeconomics for Public Policy

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Office Hours: by appointment
Location: Classroom South 201
Time: 7:15pm to 9:45pm Wednesdays

Course Description

Principles and concepts of microeconomics are fundamental to understanding the role of government, nonprofit and business organizations in the economy and to analyzing public policies and issues in public and nonprofit management. This course provides the student with grounding in the basic ideas of micro-economic thinking and their application to policy and management issues in the public and nonprofit sectors. The course also introduces concepts from behavioral economics that provide additional tools for analyzing policy and management problems.

Course Objectives

Upon completion of the course, the student should be able to:

(1) understand basic microeconomic concepts and terminology and how they apply to the analysis of public policy and public and nonprofit management
(2) apply economic reasoning to public policy and public and nonprofit management issues;
(3) understand how economic markets work and when they fall short of desired results
(4) appreciate the strengths and limitations of traditional economic reasoning and the contribution of new ideas from behavioral economics

Course Requirements

Attend classes regularly; lecture material and exams will not be repeated for absent students

Do the required readings prior to each class, according to the schedule below

Actively participate in class discussions in class and on-line

Complete written assignments on time
Grading

Examinations – 30%
Graded Written Assignments – 30%
Final Paper- 30%
Class Participation – 10%

Required Texts


Recommended supplementary texts:


Course Policies and Procedures

Readings from the above texts, and other supplemental sources, will be assigned with each topic, as listed below

Lectures and class discussions will focus on concepts in the assigned readings but will not precisely follow any one text. Students are encouraged to read widely about the topic of the day and come to class prepared to participate in class discussions. Emphasis will be on basic concepts and their application to understanding and analysis of policy and management issues, not on theory or detailed models or mathematical constructs. Lectures will include suggestions of specific problems or questions from the text books that the student can do for homework. These exercises will be discussed on-line on the
class’s BRIGHTSPACE website, and will be helpful as a way to study, but will not be collected or graded. Students are encouraged to participate in the on-line discussions of homework problems from week to week.

Classes will consist of lecture and discussion. Each class will begin with a brief discussion of a recent news article focusing on a contemporary economic issue. These articles will be retained on the class’s BRIGHTSPACE site in an article archive. Written assignments (see below) will be based on these articles.

BRIGHTSPACE will be used to communicate with students and to make readings and other documents available as needed. Students are encouraged to bring laptops or tablets to class to enable access to website materials.

Students will be required to complete 2 original written papers over the course of the semester, due on specific days as indicated in the class calendar below. For each assignment, the student should select one of news articles discussed in class and posted on the class’s BRIGHTSPACE website in the weeks since the last assignment. These papers should take the form of short essays addressing questions or issues raised by the selected news articles. Essays should be approximately 500 words in length (2 pages) and should apply ideas and concepts discussed in the classes prior to that assignment.

There will be 2 examinations consisting of questions requiring short answers or calculations based on the topics covered prior to each exam. Exams may be administered through BRIGHTSPACE as indicated in the schedule below. Students will be expected to complete exams without communication with other parties or use of reference materials or notes.

Term papers will consist of original written papers, five pages (approx. 1250 words) in length, applying concepts of economics to the analysis of a contemporary policy or public or nonprofit management issue of the student’s choosing.

Attendance in class is required. Absence will not be considered an excuse for failure to complete work or remain up to date with assignments.

Late written assignments will be penalized.

**Plagiarism will not be tolerated.** Please read the university’s policy on academic honesty in section 1344 of the Graduate Catalogue, pp. 53-56, including the definition of plagiarism.
Course Topics, Schedule and Assignments

January

14th: Why study economics? The concepts of scarcity and value; efficiency; equity; incentives and behavior; relevance to public policy and public and nonprofit management

Readings: Frank, chapter 1; Young and Steinberg, chapter 1; Levitt and Dubner, Introduction

21st: Incentives, behavior, and moral hazard; bounded rationality and default values

Readings: Frank, chapter 8 and pp.190-191; Thaler and Sunstein, chapters 1, 2 and 5; Levitt and Dubner, chapter 1

28th: The concept of cost: opportunity cost, sunk cost, transfers, price vs. cost; time value of money; present value

Readings: Frank, chapter 10; Young and Steinberg, chapter 6

February

4th: Measuring economic quantities: fixed and variable; total, average and marginal; 1st written assignment due before class; submit through BRIGHTSPACE dropbox

Readings: Frank, chapter 10; Young and Steinberg, chapter 4

11th: Thinking at the margin: the logic of optimizing

Readings: Frank, pp.13-15; Young and Steinberg, chapter 5

18th: Applications of thinking at the margin: pricing, fund raising, trade-offs among multiple goals; trade-offs among inputs

Readings: Frank, chapter 9; Young and Steinberg, chapter 5

25th: Applications of thinking at the margin: pricing, fund raising, trade-offs among multiple goals; trade-offs among inputs

Readings: Frank, chapter 9; Young and Steinberg, chapter 5
March

4th: How markets work: gains from trade; demand and supply; short and long run equilibrium; competition and monopoly

Readings: Frank, chapters 2, 11, 12; Young and Steinberg, chapter 7

11th: First Exam (1st hour); The concept of elasticity: application to pricing; effects of competition (exit), voice and loyalty

Readings: Frank, chapter 4; Young and Steinberg, pp. 149-160; Hirschman, chapters 2, 3, 7 and 9;

18th: Spring Break/No class

25th: Sources of market failure (1): economies of scale; barriers to entry; monopoly and duopoly; game theory

Readings: Frank, chapters 12 and 13; Young and Steinberg, chapter 9

April

1st: Market failure (2): transactions costs and information asymmetry; decision making under risk and uncertainty

Readings: Frank, chapter 6; Young and Steinberg, chapter 9; Levitt and Dubner, chapter 2

2nd written assignment due before class; submit through BRIGHTSPACE dropbox

8th: Market failure (3): externalities and public goods

Readings: Frank, chapters 16 and 17; Young and Steinberg, chapter 9

15th: Second Exam (1st hour); Collective action: free riding, selective incentives, social pressure, trust and coercion

Readings: Frank, chapter 17; Young and Steinberg, chapter 9

22nd: Last class: Cost-benefit analysis; distributional issues; policy applications

Readings: Frank, chapter 1; Young and Steinberg, chapter 10

29th: Final papers due