Course Description: The goal of this course is to introduce you to the application of the principles of microeconomic analysis to policy questions. Upon completion of the course, you should be able to understand basic economic analysis of public policy and be able to apply the principles of economics to these policies. Students will learn to analyze various market scenarios to assess how goods and services will be allocated in each scenario, and students will be able to assess the efficiency and distributional impacts of government intervention in the market.

Of course, to apply economic principles to public policy, we first need to master the tools that economists use. Microeconomics studies the allocation of scarce resources among individual agents. Examples of such agents include consumers, firms, or workers. The allocation of resources is determined by interactions in markets. The course will focus on how markets work. In particular, we will see how agents, such as buyers and sellers, are able to interact in such a way that mutually beneficial exchanges are possible. As we analyze various market scenarios, we will ask what role government intervention into the market may play, and whether such intervention is necessary.

We begin by introducing the basic model of market interaction – supply and demand curves in perfect competition. Most of the first half of the course will be spent developing the models of consumer and producer behavior underlying these curves. Then, we examine situations in which the perfectly competitive model breaks down, such as in the face of monopolies or pollution. We will be interested both in the effects brought on by such complications and possible remedies for them. Finally, the course concludes with an introduction of cost-benefit analysis.

Reading: There is no required text for this course. I include information on several recommended texts below. Experience has shown that different texts are a better fit for different students, depending on their economics background coming into the course. If you would like a textbook to guide you through the course, feel free to choose the one that you think will best suit your needs. You should be able to match the topics on the syllabus to the appropriate chapter in each of these texts, and am happy to discuss your choices with you. Lecture notes for each class will be made available on-line.

While there is no required textbook, a few supplementary readings will be used. These articles are mostly taken from sources such as The New York Times and The Economist. Their purpose is to illustrate how the principles we discuss in class apply in everyday situations. All of these articles are available electronically through the Syracuse University library. Links to the articles are available on the class web site.
Below is a description of optional textbooks that may be of interest to you. All are readily available on-line.

*Microeconomics for Public Decisions* by Anne C. Steinemann, William C. Apgar, and H. James Brown. Students with little economic experience may find this book a useful introduction to the topic. This book is aimed at a public administration audience. Hence, compared to the other texts listed here, it offers examples that are more relevant for this class. Also, unlike the other texts listed, it does include some discussion of cost-benefit analysis, which we will cover at the end of the course. However, the level of detail in the book is lower than what we will cover in class. Some of the more advanced material is only covered in appendices, and the book does not provide good examples of solved problems. It is expensive new, but reasonably priced used editions are available on-line. In addition, an electronic edition version is available as a PDF file or e-book for $43. The web site for the electronic version is [http://www.askmarpublishing.com/books/microeconomics.html](http://www.askmarpublishing.com/books/microeconomics.html).

*Microeconomics for Public Managers* by Barry P. Keating and Maryann O. Keating. Like the above text, this book is aimed at a public sector audience. It offers even less detail than the Steinmann *et al.* text, and thus only serves as an introduction to what we'll cover in class. However, it is available in paperback at very reasonable prices.

*Microeconomics* by Jeffrey M. Perloff. This text is now in its seventh edition, but older versions are readily available on-line and are sufficient. This book is aimed at undergraduates taking intermediate microeconomics. There are many other similar texts available that would also be suitable. While the level of material is similar to what we cover in class, it does assume the reader has taken an introductory economics course. Thus, when I’ve used this book in the past, students without a previous economics class did not find the text helpful. The biggest strength of this book is its examples of solved problems. Many of these are similar to examples we will cover in class. Students with prior economics experience may find this book useful.

*Principles of Microeconomics* by N. Gregory Mankiw. This is an example of a useful principles of economics textbook. Like the texts for public managers, this text does not go as far as we will in class solving problems. Moreover, its examples are more general, since it is aimed at a wider audience. However, the graphical examples are more detailed and more useful than the public sector textbooks, so a text such as this may be useful to those who have no previous economics experience. If ordering an introductory textbook, note that many authors have both larger texts (e.g. Mankiw’s *Principles of Economics*) that include both microeconomics and macroeconomics and smaller texts that focus on just macro or micro. You will only need a text that focuses on micro. Be sure that the text includes coverage of consumer theory with indifference curves. Not all introductory texts include this topic.

*Principles of Microeconomics* by Libby Rittenberg and Timothy Tregarthen. This book is similar to other introductory economics textbooks. Because it is available electronically, it is available for a lower price than the other textbooks – as low as $29.95 for an on-line only version. The text is available online at [http://catalog.flatworldknowledge.com/catalog/editions/rittenmicro_2-0-principles-of-microeconomics-2-0](http://catalog.flatworldknowledge.com/catalog/editions/rittenmicro_2-0-principles-of-microeconomics-2-0). Note that this company also has an intermediate microeconomics textbook (*Introduction to Economic Analysis* by R. Preston McAfee, Tracy R. Lewis). However, you will not want to use this text, as it is more advanced and uses calculus throughout the text.
**Prerequisites:** The course is designed for students with little or no background in economics. The only mathematics used are graphs and algebra. The on-line math review for incoming students covers the necessary math for this course. If you are unfamiliar with this material and/or are unsure whether you have the proper preparation, please see the information found at [https://www.maxwell.syr.edu/paia/admissions/mpa-mair/admitted-students/pre-arrival/quantitative-skills/](https://www.maxwell.syr.edu/paia/admissions/mpa-mair/admitted-students/pre-arrival/quantitative-skills/).

**Home page:** A home page for this course will be available at:

[https://dcpopp.expressions.syr.edu/pai723/](https://dcpopp.expressions.syr.edu/pai723/)

You can also connect to the home page through my personal home page, which can be found at:

[https://dcpopp.expressions.syr.edu](https://dcpopp.expressions.syr.edu)

The web site includes information about the class, links to articles on the reading list, and useful economics links. In addition, during the semester, problem sets and solutions will be posted. Finally, after each class, I will post the main points of the lecture for review.

**E-mail discussion group:** I have set up an e-mail discussion group for the class. All students are required to subscribe to the mailing list, and to check e-mail regularly. Information on how to subscribe is included below. You may use this list for any class related activities, such as asking questions, continuing discussions from class, and instigating new discussions. In particular, I hope that it will be useful to you as you work on homework assignments. I will use the list to post practice problems, keep you informed about assignments, answer questions, and instigate discussion. When messages are sent to the list, all students subscribed to the list will get the message.

I have already subscribed students who pre-registered for the course. If you have not yet been subscribed, please send an e-mail to listserv@listserv.syr.edu with the following message:

   SUB PAI723 Jan Smith

Note that this is all that need be in the body of the message, and that it must be typed in exactly as written, except, of course, that you should replace your name for Jan Smith. When you sign up, you will receive a message with detailed instructions for participating in the mailing list. **This message will ask that you reply, so as to confirm that you intended to join the list. It is important that you remember to reply, or else you will not be added to the list!**

Also, be sure to type “SUB PAI723” not “SUB PAI 723” (that is, do not include a space between PAI and 723).

**A couple of technical notes:** *E-mails sent to the list are sent to EVERYONE who subscribes to the list.* If you want to send a personal e-mail to a specific class member (or to me), use their e-mail address, not the list’s address. The list is a good place to ask questions about class materials, because everyone can see the answer. **It is not the way to let me know that you are going to miss class on Wednesday. For that you should send an e-mail to me personally. Also, I am considered the owner of this list. If you experience any problems, please e-mail me directly. My e-mail address is dcpopp@maxwell.syr.edu.*
Grading: Your grade in this course will be based on problem sets (10%), completion of two policy memos (30%), two quizzes (30%), and a final exam (30%).

Both quizzes will be held in class, on the dates listed in the syllabus. The location and time of the final exam will be announced at a later date. All quizzes and exams will be closed book exams – no notes or books may be used during the quizzes and exams. If you must miss one of the quizzes or the final exam due to illness, family emergency, or religious holiday, a makeup exam may be arranged, provided that appropriate documentation of the emergency can be provided. **Except in the case of illness or unexpected family emergency, arrangements for the makeup exam must be made before the originally scheduled exam date.**

If you believe that you need accommodations for a disability, please contact the Office of Disability Services (ODS), [http://disabilityservices.syr.edu](http://disabilityservices.syr.edu), located in Room 309 of 804 University Avenue, or call (315) 443-4498 for an appointment to discuss your needs and the process for requesting accommodations. ODS is responsible for coordinating disability-related accommodations and will issue students with documented disabilities Accommodation Authorization Letters, as appropriate. Since accommodations may require early planning and generally are not provided retroactively, please contact ODS as soon as possible.

Religious holidays: SU's religious observances policy, found at [http://supolicies.syr.edu/emp_ben/religious_observance.htm](http://supolicies.syr.edu/emp_ben/religious_observance.htm), recognizes the diversity of faiths represented among the campus community and protects the rights of students, faculty, and staff to observe religious holy days according to their tradition. Under the policy, students are provided an opportunity to make up any examination, study, or work requirements that may be missed due to a religious observance provided they notify their instructors before the end of the second week of classes. For fall and spring semesters, an online notification process is available through MySlice/Student Services/Enrollment/My Religious Observances from the first day of class until the end of the second week of class.

In this class, exams will be rescheduled as soon as possible after the exam date. If you will miss a class when a policy memo is due, you must hand in the policy memo before class if you want it graded (you only need to have two graded). Since we discuss the memos in class, no late memos will be accepted.

Policy Memos: Each policy memorandum is based on one of the three case studies, which are included on the course outline. The three cases provide students with practical applications of the tools taught in this course to real policy issues, as well as practice at written communication skills. They are graded on effectiveness, including both writing and analysis. All students are expected to prepare for each case, not just for the ones selected for memos, and to participate in case discussions. During case discussions (as during all class discussions), students are expected to treat all their classmates with respect.

Each student is required to hand in **two** case memos to be graded. Memos are due at the end of class the day they are listed on the syllabus. Thus, you may choose whether or not to hand in a memo based on the discussion of the memo held in class. However, **the memos must be typed, and changes made to the memo during class will be ignored**. Late memos will not be accepted, as it would be unfair to other students to hand in a memo after the case has been discussed in class. Should you choose to hand in all three memos, I will use the two highest grades.
Problem Sets: Problem sets will be distributed in class approximately once a week. Problem sets will be due at the beginning of class on the day that they are due. Handwritten work is acceptable, but must be legible. Note that problem sets are intended to be learning experiences for you. Problem sets will be graded on your effort to solve the problem, not on correctness. You are encouraged to consult other students and myself for help with the problem sets, with two caveats. First, the work that you turn in must be your own. If you do work with someone, both of you should hand in solutions in your own words. Second, attempt the problems yourself before consulting others. This is for your own benefit, since you won't be able to consult others during exams!

Finally, note that if you miss a class, it is your responsibility to find out if you missed any assignments or handouts. Not being present when an assignment was given out is not an acceptable excuse for missed or late work!

Academic Honesty: Syracuse University’s Academic Integrity Policy reflects the high value that we, as a university community, place on honesty in academic work. The policy defines our expectations for academic honesty and holds students accountable for the integrity of all work they submit. Students should understand that it is their responsibility to learn about course-specific expectations, as well as about university-wide academic integrity expectations. The policy governs appropriate citation and use of sources, the integrity of work submitted in exams and assignments, and the veracity of signatures on attendance sheets and other verification of participation in class activities. The policy also prohibits students from submitting the same work in more than one class without receiving written authorization in advance from both instructors. Under the policy, students found in violation are subject to grade sanctions determined by the course instructor and non-grade sanctions determined by the School or College where the course is offered as described in the Violation and Sanction Classification Rubric. SU students are required to read an online summary of the University's academic integrity expectations and provide an electronic signature agreeing to abide by them twice a year during pre-term check-in on MySlice. For more information about the policy, see http://class.syr.edu/academic-integrity/policy/. The Violation and Sanction Classification Rubric establishes recommended guidelines for the determination of grade penalties by faculty and instructors, while also giving them discretion to select the grade penalty they believe most suitable, including course failure, regardless of violation level. Any established violation in this course may result in course failure regardless of violation level.

Course Outline

I. Introduction: Microeconomics and Markets
   August 27 – Introduction

   August 29 & September 5 – Supply and Demand
September 10, 12 & 17 – Applications of Supply and Demand
Reading: “Build, baby, build,” The Economist, August 11, 2018, 21-22.
“Field work,” The Economist, April 13, 2013, 43-44.
“Levying the land,” The Economist, June 29, 2013, 69.
“Credit where taxes are due,” The Economist, July 4, 2015, 64.
Mariani, John, “Gas tax cap comes off, but so what?” Syracuse Post-Standard, June 8, 2008, B1, B3.

September 19 – Case # 1, Rice Imports in Pacifica

II. Consumer Theory – Utility and the Derivation of the Demand Curve
September 24 – Consumer Behavior: An Introduction to the Concept of Utility
Reading: “The benevolence of self-interest,” The Economist, December 12, 1998, 80

September 26– Consumer Behavior: Maximizing Utility
Reading: “Money where your mouth is,” The Economist, November 10, 2012, 41-42.

October 1 & 3 – Applications of Consumer Theory
“BOGOF bobbies,” The Economist, December 17, 2016, 50
“Reasonable doubt,” The Economist, October 14, 2017, 68.
Congdon, William J., Jeffrey R. Kling and Sendhil Mullainathan, 2011.
III. Producer Theory – Production, Costs, and the Derivation of the Supply Curve

October 8 – Production
Reading: no assigned reading

WEDNESDAY, OCTOBER 10 – QUIZ # 1

October 15 – The Costs of Production

October 17 & 22 – The Behavior of Firms Under Perfect Competition: Profit Maximization and the Derivation of the Supply Curve

IV. Putting it All Together – Perfect Competition

October 24 – Perfect Competition and Economic Welfare
Reading: Kenny, Charles, “Trickle Down Economics,” Foreign Policy, December 5, 2011.
“One country, three systems,” The Economist, April 21, 2018, 38.
V. Market Power

October 29 & 31 – The Effects of Market Power: Monopolies

“Going postal,” The Economist, April 21, 2018, 59.

November 5 – Case #2, “Profit” Maximization for Non-Profits

VI. Market Failures and the Role of the Government

November 7 – Externalities


November 12 – Public Goods


WEDNESDAY, NOVEMBER 14 – QUIZ #2
VII. Cost-Benefit Analysis  
November 26, 28 & December 3 – Cost-Benefit Analysis  
“Room with a view,” The Economist, January 12, 2013, 66.  

December 5 – Case # 3 – Cost-Benefit Analysis  

FINAL EXAM: Date and time to be announced