Course Description: This course provides an introduction to the principles of policy analysis. Policy analysis considers both when public sector policy is needed and what principles should guide the formulation of policies in these situations. Policy analysis relies heavily on basic principles of microeconomics. As such, this course focuses on developing the fundamentals of microeconomic theory as they apply to policy analysis. Upon completion of the course, you will 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.

The course begins 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. Throughout the course, our focus will be on analyzing the effects of government intervention into the market, recognizing the multiple objectives commonly sought from public policies, and illustrating how the rational policy analysis model can be used to evaluate alternative policy instruments. The course concludes with an introduction to cost-benefit analysis.

As experienced public managers, it is unlikely that you will move into a policy analysis position. However, it is highly likely that you are or will be a consumer of what such analysts produce. Thus, a primary objective of this course is to make you a more informed consumer. The course should also help prepare you for certain other policy-oriented courses you may wish to include in your program of study.

This course does not focus on specific policy areas, except as examples. Instead, the course focuses on the tools of policy analysis that should help you in your particular area of interest, e.g., health policy, social policy, environmental policy, etc. This course also will not focus on the politics of the policy process. While we will place policy analysis within the context of a political process, this course is meant to complement a more detailed analysis of the politics of policy in other courses.
Reading: The textbook used for this course is:

The textbook is available from the university bookstore. Earlier editions are acceptable, although the page numbers in the syllabus will not match exactly. As the reading for specific classes will often focus on one or two sections of a chapter, I have listed both the page numbers in the current edition and relevant chapter subheadings to assist those using earlier editions.

In addition to the text, 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.

Finally, note that while the textbook assumes that the reader has taken a prior economics course, prior experience in economics is not a requirement for this course. The lectures will provide all the necessary economic tools to understand the material covered in the text. No additional economics text is required, as lecture notes for each class will be made available on-line. However, if you would like additional readings on the economics covered in class, 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. 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.

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 $40. The web site for the electronic version is 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 sixth 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. In the past it was available for free, but that seems to have changed this year. Nonetheless, the price is still lower than traditional textbooks. The text is available online at [https://catalog.flatworldknowledge.com/catalog/editions/rittenmicro_3-0-principles-of-microeconomics-3-0](https://catalog.flatworldknowledge.com/catalog/editions/rittenmicro_3-0-principles-of-microeconomics-3-0). 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. If you are unfamiliar with this material and/or would like a refresher, below are some mathematical resources that may be of use:

- [http://www.wtamu.edu/academic/anns/mps/math/mathlab/beg_algebra/](http://www.wtamu.edu/academic/anns/mps/math/mathlab/beg_algebra/)

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

[http://faculty.maxwell.syr.edu/dcpopp/pai897](http://faculty.maxwell.syr.edu/dcpopp/pai897)

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

[http://faculty.maxwell.syr.edu/dcpopp/index.html](http://faculty.maxwell.syr.edu/dcpopp/index.html)

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 PAI897 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 PAI897” not “SUB PAI 897” (that is, do not include a space between PAI and 897).

*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 Thursday. 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."

**Academic Honesty:** Students are expected to abide by the academic rules and regulations established by Syracuse University. These require students to “exhibit honesty in all academic endeavors. Cheating in any form is not tolerated, nor is assisting another person to cheat. The submission of any work by a student is taken as a guarantee that the thoughts and expressions in it are the student's own except when properly credited to another. Violations of this principle include giving or receiving aid in an exam or where otherwise prohibited, fraud, plagiarism, or any other deceptive act in connection with academic work. Plagiarism is the representation of another's words, ideas, programs, formulae, opinions, or other products of work as one's own, either overtly or by failing to attribute them to their true source” *(Syracuse University Bulletin 2003-2004: p. 2)*. Of particular importance, while you may work with other students on problem sets and cases, the final product must be *in your own words*. For more information on Syracuse University’s academic integrity policies, see [http://academicintegrity.syr.edu/](http://academicintegrity.syr.edu/).
**Grading:** Your grade in this course will be based on problem sets (10%), completion of two policy memos (30%), two in-class exams (30%), and a final exam (30%).

Both in-class exams will be held on the dates listed in the syllabus. The location and time of the final exam will be announced at a later date. All exams will be closed book exams – no notes or books may be used during the quizzes and exams. Calculators are permitted and suggested. If you must miss one of the exams 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. Since we discuss the memos in class, no late memos will be accepted.

**Policy Memos:** Each policy memorandum is based on one of the two case studies, for which the due dates are included on the course outline. I will hand out each case assignment approximately one week before the date listed on the syllabus. The two 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. For each, students will write a brief policy memo summarizing their analysis and recommendations. They are graded on effectiveness, including both writing and analysis. All students are expected to prepare for each case and to participate in case discussions. During case discussions (as during all class discussions), students are expected to treat all their classmates with respect.

Memos are due at the end of class the day they are listed on the syllabus. This will allow you to refer to your memo during the discussion. 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.
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!

Course Outline

I. Introduction: Microeconomics and the Policy Analysis Process
   August 28 – Introduction
   Reading: Weimer & Vining, chapters 2 & 15

II. How Markets Work: Supply and Demand
   August 30 – Introduction to Supply and Demand

   September 4 – NO CLASS, LABOR DAY

   September 6 & 11 – Supply and Demand
   Reading: Weimer & Vining, Chapter 4
September 13, 18 & 20 – Applications of Supply and Demand

“Credit where taxes are due,” *The Economist,* July 4, 2015, 64.
“Field work,” *The Economist,* April 13, 2013, 43-44.
Mariani, John, “Gas tax cap comes off, but so what?”
*Syracuse Post-Standard,* June 8, 2008, B1, B3.

III. Consumer Theory – Utility and the Derivation of the Demand Curve

September 25 – Consumer Behavior: An Introduction to the Concept of Utility


September 27 – Case # 1, Rice Imports in Pacifica

October 2 – Consumer Behavior: Maximizing Utility

*Reading:* “Money where your mouth is,” *The Economist,* November 10, 2012, 41-42.

**WEDNESDAY, OCTOBER 4– EXAM # 1**

October 9 – Applications of Consumer Theory

*Reading:* Weimer & Vining, Chapter 10, p. 221-229 (Supply Side Subsidies & Demand Side Subsidies)
“The debt to pleasure,” *The Economist,* April 27, 2013, 72.
IV. Producer Theory – Production, Costs, and the Derivation of the Supply Curve

October 11 – Production

*Reading:* no assigned reading

October 16 – The Costs of Production

*Reading:* no assigned reading

October 18 – The Behavior of Firms Under Perfect Competition: Profit Maximization and the Derivation of the Supply Curve


V. Putting it All Together – Perfect Competition

October 23 – Perfect Competition and Economic Welfare

*Reading:* Weimer & Vining, chapter 7

VI. Market Failures and the Role of the Government

October 25 & 30 – The Effects of Market Power: Monopolies

*Reading:* Weimer & Vining, Chapter 5, pp. 98-104 (Natural Monopoly) (also see pp. 68-70 in Chapter 4)
November 1 – Limits to Government Intervention

Reading: Weimer & Vining, Chapter 8; Chapter 10, pp. 205-211 (Freening, Facilitating, and Simulating Markets); pp 244-251 (Supplying Goods through Nonmarket Mechanisms)


November 6 – Public Goods

Reading: Weimer & Vining, Chapter 5, pp. 74-93 (Public Goods)


WEDNESDAY, NOVEMBER 8 – EXAM #2

November 13 – Externalities

Reading: Weimer & Vining, Chapter 5, pp. 93-98 (Externalities); Chapter 10, pp. 211-221 (Facilitating Markets through Supply-Side Taxes); pp. 229-231 (Demand-Side Taxes)


November 15 – Case #2, Water Pricing
November 27 – Other Market Failures

Reading: Weimer & Vining, Chapter 5, pp. 104-112 (Information Asymmetry); Chapter 6, pp. 119-124 (The Problem of Uncertainty); Chapter 10, pp. 251-257 (Providing Insurance and Cushions)

“The gene is out of the bottle,” The Economist, August 5, 2017, 58.

“Graduate stock,” The Economist, August 22, 2015, 62.


VII. Cost-Benefit Analysis

November 29 – Cost-Benefit Analysis

Reading: Weimer & Vining, Chapter 17, pp. 398-420 (stopping before discounting benefits and costs – note chapter # is different in older texts)


December 4 – Cost-Benefit Analysis (continued)

Reading: Weimer & Vining, Chapter 17, pp. 320-434 (beginning with discounting benefits and costs – note chapter # is different in older texts)


December 6 – Discussion and Final Thoughts

Reading: “Room with a view,” The Economist, January 12, 2013, 66.


FINAL EXAM: Date and time to be announced