

PPA 723
Managerial Economics for Public Administrators
Fall 2009

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Office Hours: M W 10:00 – 11:30

Course Description:

The course focuses on the application of basic microeconomic analysis to public policy questions. The goals of the course are the following.

- 1) Develop students' understanding of basic economic principles.
- 2) Illustrate how these principles can be applied to public policy questions.

By the end of this course, a student should be able to:

- 1) Read and evaluate policy research conducted from an economic perspective.
- 2) Produce policy analysis from an economic perspective.
- 3) Continue his or her education in more specialized economic classes.

The course covers the core elements of microeconomic theory: market interaction as expressed by supply and demand curves, producer theory, and consumer theory. We will begin by considering how these theories operate under the assumption of perfect competition, and then expand our analysis to see how economic analysis deals with situations where certain aspects of these assumptions do not apply. In particular, we will analyze situations where market power exists (monopoly / monopsony / oligopoly theory), where market forces may not lead to an outcome that fully reflects total social costs (externalities), and where no market exists for the good in question (public goods). Finally, we will use the economic insights developed in the earlier parts of the course to explore cost-benefit analysis.

Materials:

Perloff, Jeffery M. *Microeconomics* 3rd / 4th / 5th Edition. Pearson Addison-Wesley.

Reserve Reading for Cost Benefit from Gittenger that I will distribute, [Economic Analysis of Agricultural Projects](#).

Course web page has lecture notes, practice quizzes, old exams and other course material.

Grading:

Problem Sets (10 points)

Policy memos (20 points)

Exams (40 points)

Final (30 points)

This is 100 total points.

Problem Sets (10 points):

There will be ten problem sets. Each is worth one point. You are allowed to work together on problem sets. In fact, you are encouraged to do so. However, you must turn in your own work. Problem sets will not be graded on their content, but will be read and returned with comments. One point will be given for each complete problem set that is turned in by the due date. I reserve the right to judge what constitutes “completeness”. If a problem set is not turned in by the due date, no point will be given for that problem set.

Policy Memos (20 points):

There are three different policy questions that will be posed to you over the course of the semester. Background information from which you are expected to complete a policy memo will be distributed to you one week in advance of the due date. You are expected to be prepared for discussion of each of the three policy questions in class.

For two of the three policy questions (you pick which two most interest you), you are expected to hand in a policy memo. Each memo will be worth ten points. You will be graded on the effectiveness of your writing and your ability to demonstrate mastery of the analytical tools presented in class. The memos must be typed, and are due at the end of the in-class discussion. No late memos will be accepted, and no modifications made on the memo during the class discussion will be read. You are allowed to do all three and have the lowest grade on a policy memo dropped if you so choose. You are allowed to work together to think through the problem, but must turn in your own work at the end.

In class Exams (40 points):

There will be two closed book in class exams in this course prior to the final exam at the end of the course. Each one will count for 20 points.

Final Exam (30 points):

The final is worth 30 points. It will cover all material presented over the course of the semester. It is also a closed book exam.

Schedule (subject to change as we see how it goes):

I. Why Are We Asking You to Study Economics, And What Do You Want From this Course?

August 31

II. Supply and Demand

September 2, 9, 14, 16, 23

Reading: Chapters 1, 2, and 3

Policy memo #1 handed out on the 23rd due on the 14th of October.

III. Consumer Theory

September 30, October 5, 7, 12, 14

Reading: Chapters 4 and 5

Exam #1: October 19th

IV. Producer Theory

October 21, 26, 28, November 2

Reading: Chapters 6,7,8,9, and section 10.5

Policy memo # 2 handed out on the 28th, due on November 9th.

V. Market Power

November 4, 9, 11

Reading: Chapter 11, 13, 15.3

Exam #2: November 16th

VI. Missing Markets, Externalities, and Public Goods

November 18, 22, 30, December 2.

Reading: Chapter 18

VII. Cost Benefit Analysis

December 7, 9

Reading: 16.1-16.2, Gittenger reading I will make available.

Policy memo #3 handed out on December 2nd, due on December 14th

Review: December 14th

Final: TBA