

**Economics for Public Decision-Making
PPPA 6003, Section 12
Fall 2018**

Trachtenberg School of Public Policy and Public Administration
George Washington University

Tuesdays, 6:10 - 8:00 pm
MPA Building (805 21st Street NW), Room 309

Course Staff

Instructor

Professor Christopher Carrigan
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Office Hours: Tuesdays (MPA 601K) and Wednesdays (phone and Skype) from 4:15 - 5:45 pm, as well as by appointment (sign up at <https://christophercarrigan.youcanbook.me/>)

Teaching Assistant

Janette Martinez
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Office Hours: Mondays from 6:00 - 8:30 pm (MPA 601K), as well as by appointment

Overview and Learning Objectives

Making good decisions in both the public and nonprofit sectors requires solid critical thinking and analytical skills. Moreover, these decisions can require the manager in these types of organizations to consider a different and potentially more complicated set of considerations relative to similar choices in the private sector. This course approaches the study of microeconomics from the perspective of how it can assist current and prospective public and nonprofit managers to better address real-world policy problems. As a result, the course emphasizes applications related to situations where government does or could intervene in the economy. Some broad questions that are addressed include: When can government play a role in improving market outcomes? How can we evaluate whether a policy is likely to be effective? What are the potential pitfalls associated with government involvement in markets? How can public and nonprofit managers improve the efficiency and effectiveness of their organizations?

The course is primarily intended for students in the Master of Public Administration program. Although some familiarity with graphing, computation, and algebra is helpful, no prior study of economics or mathematics is necessary or assumed. A fundamental purpose of the course is to introduce students to the economic way of thinking and to show how that approach can enable them to make more informed and better choices. Students will be exposed to concepts and tools that will allow them to build the skills to be able to:

- Apply microeconomics to help solve current public sector challenges;
- Implement relevant graphical and algebraic analyses;
- Evaluate arguments advocating certain approaches to addressing policy issues;
- Incorporate economic principles into how they approach daily decisions.

Expectations

Course grades will be determined through a combination of five elements based on the percentages listed in parentheses below.

Class Participation (10%): Please come to class and come prepared by reading the materials assigned in advance. The class sessions will be more interesting to both of us, and you are sure to learn more if you prepare. If you do need to miss class, be sure to get notes from one of your classmates as the class discussions will be the best source of material for the exams.

Problem Sets (10%): There will be nine problem sets assigned over the course of the semester, of which the top eight will be counted in computing your final grade. Thus, you can choose to skip one problem set, or if you decide to turn in all nine, the one with the lowest grade will be dropped. The problem sets will be graded on a check-plus, check, and check-minus system. To the extent you find it useful, you should feel free to work on these assignments with classmates. However, if you do decide to work with other students, you should still turn in your own solutions and list the names of those individuals at the top of the problem set. Problem sets should be submitted via the course Blackboard site which is located at <http://blackboard.gwu.edu> prior to the beginning of class.

Midterm Exam (25%): The midterm will be a closed book exam given during class on October 16 and will cover all course material up to that point. You should plan to use a calculator for the exam, but you are not allowed to use the programming function of the calculator if it has one.

Policy Brief (25%): Here is your chance to apply what you have learned to a policy problem. You will choose a policy issue of interest from a set of possibilities that I will provide and write a short paper (approximately four pages) incorporating both a little of your own research as well as your knowledge of the microeconomic concepts relevant to the problem. Unlike the problem sets, group work is not permitted on this assignment. The policy brief should be submitted via the course Blackboard site by 6:10 pm on December 4. Additional details will be provided after the midterm.

Final Exam (30%): The final will also be a closed book exam given on December 18. Like the midterm, although you can use a calculator, you are not allowed to use the programming function associated with it. The exam will cover all of the course material but will place a relative emphasis on the information assigned after the midterm.

Reading Materials

The two books described below are both required reading. In addition, each week will feature a case study to connect the economic concepts to real world issues. The readings associated with these case studies can be found under the "Schedule" tab on the course Blackboard site. In addition to their relevance for class discussions, the case studies will also form the basis for some of the problem set questions.

Mankiw, N. Gregory. *Principles of Microeconomics*. 7th ed. Stamford, CT: Cengage Learning, 2015.

Wheelan, Charles. *Naked Economics: Undressing the Dismal Science*. New York: W. W. Norton & Company, 2010.

The Mankiw book is the textbook for the course. You can choose to use the 6th edition instead, but it is your responsibility to make sure you are both covering the same material when reading and answering the correct problems given that the book will be used as a source for some of the problem set questions. You will not need to access any of the online supplemental materials. The Wheelan book is not a textbook, is easy to read, and provides concrete explanations of even the most difficult ideas that we cover. It should be a very useful reference.

Class Schedule, Readings, and Assignments

The schedule as outlined below is somewhat tentative in the sense that while I will keep us moving in the right direction, I want to make sure we are covering everything that is relevant given that, for many, this will be a first course in economics. Moreover, I may change some of the case studies depending on what is currently in the news. However, to the extent that I do make changes, I will be certain to let you know in class. An updated version of the syllabus will always be available on the course Blackboard site.

1 – August 28

Topic: Introducing Economics
Readings: Mankiw, Chapters 1 and 3
Wheelan, Chapter 12
Case Study: Outsourcing and Trade

2 – September 4

Topic: Competitive Markets
Readings: Mankiw, Chapter 2 Appendix and Chapter 4
Wheelan, Chapter 1
Case Study: Corn Production and Consumption
Due: Problem Set 1

3 – September 11

Topic: Consumers and Demand
Readings: Mankiw, Chapter 5
Case Study: Metro Fares
Due: Problem Set 2

4 – September 18

Topic: Firms and Supply
Readings: Mankiw, Chapters 13 and 14
Wheelan, Chapter 2
Case Study: Airline Costs and Competition
Due: Problem Set 3

5 – September 25

Topic: Efficiency and Surplus
Readings: Mankiw, Chapter 7
Case Study: Cost-Benefit Analysis
Due: Problem Set 4

6 – October 2

Topic: Government Involvement in Markets
Readings: Mankiw, Chapters 6 and 8
Wheelan, Chapter 4
Case Study: Minimum Wage
Due: Problem Set 5

October 9

No Class – Enjoy Fall Break!

7 – October 16

Midterm Exam, 6:10 - 8:40 pm
Hand Out Policy Brief Assignment

8 – October 23

Topic: Monopoly, Oligopoly, and Government Intervention
Readings: Mankiw, Chapters 15 and 17
Dixit, A. K. and S. Skeath, "Simultaneous-Move Games with Pure Strategies I: Discrete Strategies," Chapter 4 in *Games of Strategy*
Case Study: Antitrust

9 – October 30

Topic: Externalities, Public Goods, and Government Intervention
Readings: Mankiw, Chapters 10 and 11
Wheelan, Chapter 3
Case Study: Environmental Economics
Due: Problem Set 6

10 – November 6

Topic: Imperfect Information and Government Intervention
Readings: Wheelan, Chapter 5
Stiglitz, J. E. and C. E. Walsh, "Imperfect Information in the Product Market," Chapter 15 in *Principles of Microeconomics*
Case Study: Consumer Financial Protection
Due: Problem Set 7

11 – November 13

Topic: Government's Role in Promoting Equity
Readings: Mankiw, Chapters 19 and 20
Wheelan, Chapter 6
Case Study: Inequality and Poverty
Due: Problem Set 8

12 – November 20

Topic: Managerial Economics
Readings: Dixit, A. K. and S. Skeath, "Games with Sequential Moves," Chapter 3 in *Games of Strategy*
Case Study: Decision-Making and Biases
Due: Problem Set 9

13 – November 27

Topic: Political Economy
Readings: Wheelan, Chapter 8
Case Study: Voting Behavior

14 – December 4

Topic: Final Exam Review
Due: Policy Brief

15 – December 18

Final Exam, Room and Time TBD (But Likely 6:10 - 8:40 pm)

Additional Information and Policies

Course Selection: This course is intended to be a non-technical introduction to microeconomics. If you majored in economics as an undergraduate or have had substantial training in the subject already, you should consider taking PPPA 6014 (Microeconomics for Public Policy II) instead. To the extent you would like to talk further about which course is appropriate, feel free to contact me.

Getting Help: I encourage you to come to office hours to ask questions if you are having difficulty with the course material. To sign up for a specific time, please use the sign up link at <https://christophercarrigan.youcanbook.me/>. Getting help from either me or the teaching assistant, Janette Martinez, early in the semester might prove useful as many of the weeks build on concepts from prior sessions. For questions about problem sets specifically, Janette is likely your best first source for assistance.

Submitting Work: Assignments should be submitted through the course Blackboard site by the beginning of class on the date they are due. Late problem sets will not be accepted, and policy briefs will be marked down for each day they are late unless I explicitly make an exception based on your extreme circumstances.

Average Minimum Independent Weekly Work: Over 15 weeks, students will spend one hour and 50 minutes (110 minutes) per week in class, except for the midterm and final weeks where students will have two hours and 30 minutes (150 minutes) to complete the exams. Required readings, problem sets, and the policy brief are expected to take, on average, seven hours (420 minutes) per week. Over the course of the semester, students will spend just under 29 hours in class and 105 hours preparing for class, for a total of roughly 134 hours.

Late or Missed Class: I assume that students are absent from class for legitimate reasons (e.g., work, religious holiday, etc.). If you are late or absent from class, it is your responsibility to obtain all announcements, assignments, and handouts from Blackboard or from your classmates.

Exam Dates: Please notify me in advance if you are aware of a conflict, such as a religious holiday you observe, that will preclude you from taking either the midterm or final at the assigned time. To the extent possible, I will certainly try to accommodate your request.

Grade Changes and Incompletes: No changes can be made to grades after the conclusion of the semester, other than in cases of clerical error. To obtain a grade of incomplete, you must consult with me no later than the last day of classes in the semester. At that time, we will both sign a contract for completing the incomplete and submit a copy to the Assistant Director of Graduate Studies. Please consult the latest student handbook on the Trachtenberg School's website for the school policy on incompletes.

Classroom Code of Conduct: Higher education works best when it encourages a vigorous and lively exchange of ideas in which all points of view are heard. Free expression in the classroom is an integral part of the process. At the same time, this process is most effective when all approach the enterprise with empathy and respect for others, irrespective of their ideology, views, or identity.

Academic Honesty: All assignments and projects in this class are to be completed in conformance with the George Washington University Code of Academic Integrity which can be found at <https://studentconduct.gwu.edu/code-academic-integrity>. Cheating and plagiarism will not be tolerated.

Accommodation for Students with Disabilities: If you need extra time on exams or assignments because of a disability, please let me know as soon as possible. In order to receive accommodations on the basis of disability, you will need to give notice as well as provide proper documentation to Disability Support Services, Rome Hall, Suite 102, (202) 994-8250.

Safety and Security: In the case of an emergency, if at all possible, the class should shelter in place. If the building that the class is in is affected, follow the evacuation procedures for the building. After evacuation, seek shelter at a predetermined rendezvous location.