Economics for Public Decision-Making
PPPA 6003, Section 12
Fall 2015
Trachtenberg School of Public Policy and Public Administration
George Washington University
Thursdays, 6:10 - 8:00 pm
Rome Hall (801 22nd Street NW), Room 351

Course Staff
Instructor
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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. No prior study of economics or mathematics is necessary or assumed although some familiarity with graphing, computation, and algebra is helpful. 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 (15%): 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 must 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 (20%): The midterm will be a closed book exam given during class on October 15 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. Additional details will be provided after the midterm.

Final Exam (30%): The final will also be a closed book exam and will likely be given on December 17. 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.


The Mankiw book is the textbook for the course. You can choose to use either the 5th edition or the 7th 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 problems. 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 - September 3
   Topic: Introducing Economics
   Readings: Mankiw, Chapters 1 and 3
              Wheelan, Chapter 12
   Case Study: Outsourcing Olympic Uniforms

2 - September 10
   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 17
   Topic: Consumers and Demand
   Readings: Mankiw, Chapter 5
   Case Study: Metro Fares
   Due: Problem Set 2

4 - September 24
   Topic: Firms and Supply
   Readings: Mankiw, Chapters 13 and 14
             Wheelan, Chapter 2
   Case Study: Airline Costs and Competition
   Due: Problem Set 3

5 - October 1
   Topic: Efficiency and Surplus
   Readings: Mankiw, Chapter 7
   Case Study: Cost-Benefit Analysis
   Due: Problem Set 4
6 – October 8
   Topic: Government Involvement in Markets
   Readings: Mankiw, Chapters 6 and 8
             Wheelan, Chapter 4
   Case Study: Minimum Wage
   Due: Problem Set 5

7 – October 15
   Midterm Exam, 6:10 - 8:40 pm
   Hand Out Policy Brief Assignment

8 – October 22
   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 29
   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 5
    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 12
    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 19
    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

November 26
No Class – Happy Thanksgiving!
13 – December 3
   Topic: Political Economy
   Readings: Wheelan, Chapter 8
   Case Study: Voting Behavior
   Due: Policy Brief

14 – December 8 (Tuesday)
   Topic: Final Exam Review

15 – December 17
   Final Exam, 6:10 - 8:40 pm
   Note: The date, time, and location for the final exam are tentative pending confirmation sometime in October.

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 (Economics in Policy Analysis) 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. Getting help from either me or the instructional assistant, Melissa McShea, early in the semester might prove useful as many of the weeks build on concepts from prior sessions. For questions about problem sets specifically, Melissa is likely your best first source for assistance.

Submitting Work: Assignments should be submitted by the beginning of class on the date they are due. Problem sets should be submitted via the course Blackboard site, and policy briefs should be handed in at the start of class or left in my mailbox prior to the deadline. 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.

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.

Academic Honesty: All assignments and projects in this class are to be completed in conformance with the George Washington Code of Academic Integrity which can be found at http://www.gwu.edu/~ntegrity/code-academic-integrity. Cheating and plagiarism will not be tolerated.
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 School Director. Please consult the latest TSPPPA Student Handbook on our website for the school policy on incompletes.

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.