

Evans School of Public Affairs 516A
MICROECONOMICS of POLICY ANALYSIS
Fall 2009

Instructor:	Leigh Anderson	Office:	PAR 108
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Class hours:	MW 1:30-2:50	Office hours:	T/F 12:30-1:30, and by apt.
Teaching Assistant:	Lily Hsueh	e-mail:	lhsueh@u.washington.edu Office hrs: M 12:30-1:30

Text(s): Anne C. Steinemann, William Apgar and H. James Brown. *Microeconomics for Public Decisions*, Thomson, South Western, 2005.

COURSE OBJECTIVE

This course is intended to familiarise you with the use of microeconomics in policy analysis. The first half of the course is devoted to building upon introductory microeconomic theory with a deeper discussion of consumer choice and markets. We begin with a very brief review of supply and demand and some important economic concepts including elasticity and consumer surplus. We follow with indifference curves and budget constraints -- the building blocks of individual demand curves and examine income and substitution effects with this model. The first half of the course concludes with a brief treatment of production and costs. The second half of the course is devoted to an overview of the market and the most basic market structures and more examples of the role of government in providing public goods and managing externalities.

A solid grounding in economic theory is essential to providing you with the methodological framework within which a variety of problems can be analysed. The basic neo-classical paradigm, whether you subscribe to it or not, is one of the best examples of a consistent theory in the social sciences and it is the economic model most policy makers work from. Whenever possible, these theoretical concepts are applied to policy problems with the hope that you will learn to appreciate the use of economics in analysing these issues, and become more competent in evaluating such analysis. I encourage you to offer examples from your own experiences for the class whenever they come to mind.

PREREQUISITES

The Concepts

This course will draw freely upon ideas developed in introductory microeconomics. Some parts of the material will be direct applications of those ideas; other parts will extend ideas developed previously. Students with limitations in their grasp of microeconomics should review introductory material.

The (Ah!) Technical Side

The exposition will be graphical and will use high school level algebra. This means that you must know the equation of a straight line, slopes, intercepts, and how to solve simultaneous equations. You cannot pass the course without coming to grips with these basics. Therefore if your geometry and algebra is dusty, I recommend investing some time at the outset reviewing these skills. If you never took, never understood, or have successfully blocked out all high school algebra, a major review is in order. Look for a good review text of mathematics for social scientists. Calculus will not be used.

COURSE REQUIREMENTS

Economics is a discipline that builds upon fundamental propositions, therefore it is critical that you understand each concept along the way. Assigned readings should be done ahead of class. Although a lack of time prevents us from covering all readings and topics in depth, you will still be held responsible for the material. Likewise, some material presented in lecture is not in the text, so regular attendance is strongly encouraged. The lectures and text are complements, not substitutes. Students with disabilities are encouraged to inform me of any special requirements

Practice Quizzes (PQ)/Problem Sets

Working through problems is an essential part of learning economics, so problems in the form of practice quizzes sets will be assigned 4 times throughout the term. Group work is encouraged. Practice quizzes will not be graded and answer keys will be available approximately one week after the PQ is handed out. These practice quizzes, as well as the quizzes, will be reviewed in Tuesday and Friday review sessions.

Quizzes and final exam

There are three one-hour quizzes given at the beginning of three Mondays. Quiz questions will draw upon lectures, text material, and practice quizzes (PQ). The format will be a mix of short answer and true/false questions. The final will be a two-hour in class exam scheduled by the registrar. One single sided 8.5 x 11 sheet of notes may be brought into class for each of the quizzes and the final exam.

EVALUATION

Assignment weights are:	Quizzes (20% x 3) -	60%
	Final Exam -	40%

Grades will be roughly curved. Your ranking is not up to my discretion, but the endpoints of the curve are (for example, whether the scale begins at a C or a B-, and ends at an A- or an A). This depends on the absolute performance of individuals against the School's and my standards for the course. The Evans School guidelines for course grades are available on line. The class mean will be approximately a 3.4.

Your answers will be graded based on their accuracy and clarity, meaning my ability to read and interpret them. Answers that contain contradictory statements, and answers left sufficiently vague to be open to different interpretations, will be downgraded. Poor grammar and spelling will not be directly penalized except to the extent that they hinder my ability to understand your answer.

Please read the calendar for a description of instructional offenses including cheating on exams and plagiarism. The University policy will be adhered to in this class.

COURSE POLICY ON MISSED OR LATE ASSIGNMENTS

Students who do not contact me PRIOR to an exam or quiz forfeit the right to a makeup. If you cannot get in touch with me, please leave a message on my machine at 543-0365. You have enough notice on these assignments that should you face a scheduling conflict, arrangements to complete your work early can be made. Please refer to the University calendar for information on incompletes and withdrawals. The policy outlined is adhered to in this class.

TENTATIVE COURSE SCHEDULE AND READING ASSIGNMENTS

	Monday 1:30-2:50 PAR 108		Wednesday 1:30-2:50 PAR 108		Friday Review 12:30-1:20 PAR 213		Weekly Reading/Topic
September			30	PQ 1 handed out	2	Lily	Chapter 1 – Introduction:
October	5	PQ 1 Key handed out	7		9	Leigh	Chapter 2 – Demand, Supply, Elasticity
	12	Quiz 1	14		16	Lily	Chapter 3 – Market Equilibrium
	19	PQ 2 handed out: Lily	21		23	Lily	Chapter 4 – Choice and Demand
	26	PQ 2 Key handed out	28		30	Leigh	Applications of consumer theory
November	2	Quiz 2	4		6	Leigh	Chapter 5 – Costs and Supply
	9	PQ 3 handed out: Lily	11	Veteran’s Day	13	Lily	Chapter 6 & 7 – Efficiency, Equity, Perfect competition & Welfare economics
	16	PQ 3 Key handed out	18		20	Leigh	Chapter 8 – Monopoly and imperfect competition
	23	Quiz 3	25	Lily	27	Thanksgiving	Chapter 9 & 10 – Externalities & Public Goods
	30	PQ 4 handed out	2		4	Lily	Chapter 12 – Cost-Benefit Analysis
December	7	PQ 4 Key handed out	9		11	Leigh	Mop Up and Review
	14	Final Exam 2:30-4:30 PAR 108					