

Economics for Public Policy and Administration
Center for Public Policy and Administration
University of Massachusetts Amherst
PubP&Adm 605 • Fall 2010
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Michael Ash, Associate Professor of
Economics and Public Policy
Email mash@econs.umass.edu
Telephone 413-545-6329

Office hours in 814 Thompson
Monday 10–11:40 AM
Thursday 9:30–11 AM

1 Goals, Content, and Methods

The course satisfies the microeconomics for public policy and administration requirement in the MPPA core. The economic content course is equivalent to “intermediate microeconomics,” a course widely taught in U.S. undergraduate economics programs. Students who have already completed intermediate micro should discuss a waiver with the instructor.

The course will introduce microeconomic theory for policy analysis and public administration. Students will learn how to apply economic reasoning to public policy questions. We will develop models of production, distribution, and consumption of resources, including time and risk. We will evaluate the economic arguments for and against alternative government policies, by examining the effects of markets and of public policy on firms, consumers, workers, and families. We will also consider normative critiques of economic models. The course should prepare you for a more applied public policy course.

The overarching course goals are (1) to have students understand basic microeconomic theories and (2) to prepare students to apply microeconomic analysis to policy questions in future CPPA courses and in real world applications. More specifically, the policy-oriented practical skills that youll learn in this course include:

- Defining a policy problem and writing a short, convincing argument as to whether a market failure exists in a specific context (relevant for Policy Analysis & Capstone).
- Constructing alternative policy options to remedy a market failure and projecting the outcomes of policy (relevant for Policy Analysis & Capstone).
- Applying economic concepts to policy analysis:
 - Understanding and critiquing measures of economic cost and benefits
 - Reviewing academic literature for relevant parameters, e.g., elasticities, to apply in a policy context
 - Analyzing uncertainty with expected value and utility
 - Understanding discounting future values of costs or benefits

- Analyzing neoclassical concepts of consumer and producer surplus and dead-weight loss

The course will focus on efficient resource allocation in a world where markets fail and fairness counts. Students will learn and apply the concepts of economic efficiency and opportunity cost; consumer and producer surplus; subsidies, taxes, and quotas; the relationship between equity and efficiency; externalities; public goods; imperfect competition; risk, asymmetric information, and insurance; intertemporal trade-offs; nonmarket allocations; and coordination failures. We will use analytic tools such as constrained maximization and marginal analysis, game theory, cost-benefit analysis and discounting, and class analysis to model the behavior of agents in the economy. We will discuss and analyze case studies of particular policy examples to illustrate the usefulness of economic theory and to place economic policy analysis within a political and normative context. Students will write up the results of our analyses in readable prose that will convince educated lay readers, decision-makers, and economists.

2 Resources, Assignments, and Grading

2.1 Spark

The course will run off the Spark, <http://spark.oit.umass.edu/> calendar for the course. It is essential that students check Spark regularly and be familiar with the operation of a Spark course.

2.2 Prerequisites

For students enrolled in the MPPA program, there is no prerequisite for this course. Students with no prior background in economics may find an introductory microeconomics textbooks helpful, for example, William J. Baumol and Alan S. Blinder, *Microeconomics: Principles and Policy*, Dryden Press, any edition.

Review basic math skills To review basic math skills, please browse chapters 2,3,4, and 5 of Jeffrey O. Bennett and William L. Briggs, *Using and Understanding Mathematics: A Quantitative Reasoning Approach*, Addison-Wesley, any edition. If the material looks familiar, then you'll have no problem with the mathematics in this course. For example, you should know how to graph y against x and how to determine the slope of the line for an equation like $5x + 6y = 240$; how to use unit analysis, e.g., $8 \text{ hours} \times 5.15 \text{ dollars/hour} = 41.20 \text{ dollars}$; and how to compute a percent change, e.g., 1,600 gallons decreasing to 1,400 gallons is a -12.5 percent change.

2.3 Teaching Assistant

Jeff Hofer, jhofer@pubpol.umass.edu, a second-year student in the MPPA program who excelled in this course, will be the teaching assistant. The TA holds weekly office hours

(Thursdays 11:30-1:30 (place?)) to discuss course material and assignments and conducts a scheduled weekly math review session that complements course material (Thursdays 4:30–5:30 (place?)). You may also make an appointment to meet with the TA at a mutually agreeable time.

2.4 Assignments, Assessments, and Evaluation

Participation Preparation, attendance and participation are required. If you miss a class for any reason, it is your responsibility to seek out notes, assignments, handouts, etc., from your classmates or from me. If you miss a class because of illness or another good reason, I will be happy to sit down with you and go over what you missed.

Quizzes The course will include two on-line competency quizzes. You must pass both quizzes to pass the course, and you may retake until you pass. To pass a competency quiz, you must answer *all* questions correctly. If you miss only one or two points, you will be able to retake those parts orally. If you miss more than a minor point or two, you must retake a different version of the quiz after meeting with me. Retakes must be within two weeks of the date quizzes are returned.

Assignments There is a written assignment every week, most often questions from the textbooks. Answers should be written up “the right amount,” with enough diagram, computation, and text to answer the question, but they need be neither as polished as a memo nor typed.

Answers must be submitted via the Spark system; so you will need to convert hand-written or hand-drawn work to PDF files. CPPA has a scanner for student use.

To get full credit for the assignment, you must answer all the questions and turn the assignment in on time (start of class on the due date). If you turn an assignment late, you will get half-credit for it if it is turned in within one week of the due date.

I encourage you to work together with classmates and the TA on the questions. You are responsible for understanding the material in all of the questions by the end of the semester. We can also dedicate class time to discussing the answers.

Literature Review Memo There will be one memo reviewing the literature on a policy-relevant elasticity.

Final Exam The final exam will cover the entire course.

2.4.1 Grading

You will earn a grade based on class presentations, your writing, and a final exam. A breakdown of the grade follows:

Course Component	Points
Participation	required
Quizzes	required
Assignments	50
Memo	20
Final	30
Total	100

Grades depend on a fixed standard and not on comparisons to other students. Therefore, you should feel comfortable discussing and sharing your notes, ideas, and writing with your fellow students. Grades will be assigned according to the following schedule:

Cut-off	93	90	87	83	80	77	73	70	60	–
Grade	A	A–	B+	B	B–	C+	C	C–	D	F

2.4.2 Academic Honesty

The University's policy on academic honesty will be rigorously enforced. Acts of cheating, plagiarism, or other forms of academic dishonesty will result in a failing grade for the course. In accordance with CPPA policy, the syllabus reprints the CPPA plagiarism policy:

Representing the words or ideas of another as one's own work in any academic exercise is plagiarism, one of the most serious forms of academic dishonesty. This includes submitting without citation, in whole or in part, the research of another. Students are responsible for complying with the University of Massachusetts plagiarism policy. The University of Massachusetts policy and other information on plagiarism are included in the CPPA student handbook. Cases of plagiarism may be referred to official University of Massachusetts channels.

2.5 Readings and Web Resources

The **three (3)** required textbooks for the course are:

1. Neva Goodwin, Julie A. Nelson, Frank Ackerman, and Thomas Weisskopf, *Microeconomics in Context*, Second Edition, (Armonk, NY: M.E. Sharpe, 2008). Supplementary material is available from <http://ase.tufts.edu/gdae/publications/textbooks/microeconomics.html>
2. Robert B. Carson, Wade L. Thomas, and Jason Hecht (EIT), *Economic Issues Today: Alternative Approaches*, Eighth Edition, (Armonk, NY: M.E. Sharpe, 2005). Supplementary material is available from <http://www.economicissues.com/>.
3. Anne C. Steinemann, William C. Apgar, and H. James Brown. *Microeconomics for Public Decisions*, (Mason, Ohio: Thomson Southwestern, 2005)

The first two books are available at the Amherst Bookstore, 8 Main Street, Amherst. Excerpts of the third books and other readings for the course will be linked from the course web site or given as handouts in class. **You must take responsibility for downloading and reading the material. Please bring the current readings with you to class for every class meeting.**