

PADP 6950: Foundations of Policy Analysis

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Classes: Thursdays, 6:30-9:15pm, Baldwin 322

Office Hours: Mondays 2-4pm, or by appointment

University of Georgia

Public Administration and Policy

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Description

This is a course in microeconomic analysis that provides broad exposure to the fundamental economic tools of policy analysis. While competitive markets are often efficient, there are many barriers to perfectly functioning markets that lead to the need for public policy. Ultimately, the goal of the course is to lead students to appreciate the economic method of thought - assuming rational agents respond predictably to incentives in order to allocate the scarce resources at their disposal as seems "best" to them - and how this method can be a widely useful tool for assessing the need for, and likely impact of, public policy.

By the end of the course, student should understand:

- Fundamental economic ideas of scarcity, opportunity cost, and rationality
- Utility and consumer surplus
- Production functions, marginal costs, supply functions and producer surplus
- Markets and how they work
- Market structures of perfect competition and monopoly
- Market failures and policy solutions: the cases of externalities and public goods

Required Text

Intermediate Microeconomics: A Modern Approach by Hal R. Varian, 9th edition. (I recommend purchasing the 8th edition, which you can find used copies of quite cheaply on Amazon.)

There will be additional readings which will be distributed in class.

Grading

Class attendance is not required, though there is little prospect of success without it.

Two Exams

There will be two in-class exams, each counting for 30% of the course grade. Any known scheduling problems should be brought to my attention as soon as possible. If you miss the midterm exam without a university-approved excuse, you will receive a zero. If you have a university-approved absence, then the final exam will count for 60% of the course grade. No make-up exam will be given.

Weekly Homeworks

There will be weekly homework assignments, which will count for 10% of the course grade. These will be graded on a 3 point scale (check plus, check and check minus). No late assignments will be accepted, but your lowest grade will be dropped. Unless otherwise stated, homeworks can be completed in groups of no more than 3 people. Turn in only one assignment for the group, with everyone's names clearly listed.

Two Papers

1. **Explain a puzzle:** This paper will count for 10% of the course grade. This paper should be no more than 300 words (one page). Your assignment is to use a principle, or principles, discussed in the course to explain some puzzling pattern of events or behavior that you personally have observed. Do not use complex terminology. Imagine yourself talking to a relative who has never had a course in economics. Do not use any algebra or graphs. You can include a few citations, but you need not include a bibliography. You are not expected to do a lot of research in support of your argument, although a relevant fact or two might help persuade you that your argument is correct. Your topic need not be important, but try to make it interesting. Your puzzle paper will be graded based on whether the puzzle is actually puzzling (paragraph 1), whether the economic reasoning is sound (paragraph 2), and on the clarity of the writing overall.

2. **Policy memo:** This paper will count for 20% of the course grade. This paper should be no more than 1000 words (3 pages). Your assignment is to provide a short economic evaluation of some existing or proposed policy. You should 1) assess the problem addressed by the policy, 2) describe the policy, 3) explain how the policy addresses the problem, 4) use economic reasoning in your explanations, 5) provide at least one possible unintended consequence of the policy, and 6) offer one policy recommendation that directly follows from the explanations or consequences provided in the memo. The details of the policy should be reviewed using available information from the news and academic outlets (include citations). The analysis should appeal to an explicit

economic model discussed during the course (graphs and jargon may be used as appropriate). Your topic should be in an area that is of particular interest to you. Your policy memo will be graded on the six items listed above as well as on the clarity of the writing overall.

Academic Integrity

All students are responsible for maintaining the highest standards of honesty and integrity in every phase of their academic careers. The penalties for academic dishonesty are severe and ignorance is not an acceptable defense.

Schedule

The following is a tentative schedule of the topics to be covered in each class.

Aug 16	Introduction		Ch. 1
Aug 23	Consumer choice		Chs. 2, 3, 4, & 5
Aug 30	Demand		Chs. 6 & 15
Sep 6	Surpluses		Chs. 14 & 16
Sep 13	Intertemporal choice and uncertainty		Chs. 10 & 12
Sep 20	Asymmetric information		Ch. 38
Sep 27	<i>Midterm Exam</i>		
Oct 4	Theory of the firm		Chs. 19, 20, & 21
Oct 11	Supply		Chs. 22, 23, & 24
Oct 18	Perfect competition and monopoly		Chs. 25 & 26
Oct 25	Game Theory		Ch. 29
Nov 1	Welfare		Ch. 32
Nov 8	Externalities	Puzzle paper due	Ch. 35
Nov 15	Public goods	Policy paper due	Ch. 37
Nov 22	Thanksgiving Break - <i>no class</i>		
Nov 29	Review Session		
Dec. 6	<i>Final Exam</i> (tentative)		

Note: If you're using the 8th edition of the book, chapters 1-16 correspond directly between the two editions. For chapters >18, the corresponding chapter in the 8th edition is (9th edition chapter number - 1), e.g. if ch. 38 is listed above, then read ch. 37 in the 8th edition.