

PADP 6950: Foundations of Policy Analysis (Spring 2014)

Gary E. Hollibaugh, Jr.

Office: Baldwin Hall 410

Office Hours: Mon., 5:00–5:45pm (Gwinnett Faculty Prep Room)

Email: gholliba@uga.edu

Website: <http://www.garyhollibaugh.com/padp-6950-spring-2014.html>

Course Information

Classroom: Room 109 (Gwinnett)

Class Time: Mon., 6:00–8:50pm

Course 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, students 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 Materials

Intermediate Microeconomics: A Modern Approach by Hal R. Varian, 8th edition.

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 makeup exam will be given.

Weekly Homework Assignments

There will be weekly homework assignments, which will count for 10% of the course grade. They will be distributed in class and will also be available on the class website the day they are assigned. **Unless you receive prior authorization from the instructor in writing, late assignments will be given a check minus if they are late.** Your lowest grade will be dropped.

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 (about 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.
2. **Policy memo:** This paper will count for 20% of the course grade. This paper should be no more than 1000 words (about three pages). Your assignment is to provide a short economic evaluation of some existing or proposed policy. You should assess the problem addressed by the policy, explain how the policy addresses the problem, provide at least one possible unintended consequence of the policy, and offer one policy recommendation. 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.

Course Topics

Note: The course syllabus is a general plan for the course; deviations announced to the class by the instructor may be necessary. We may not cover all of these topics. Conversely, time permitting, other topics might be covered in this course.

January 6: Introduction and Overview

- Chapter 1

January 13: Consumer Choice

- Chapters 2, 3, 4, and 5

January 20: NO CLASS — MLK DAY

January 27: Demand

- Chapters 6 and 15

February 3: Surpluses

- Chapters 14 and 16

February 10: Intertemporal Choice and Uncertainty

- Chapters 10 and 12

February 17: Asymmetric Information

- Chapter 37

February 24: MIDTERM EXAM

March 3: Theory of the Firm

- Chapters 18, 19, and 20

March 10: NO CLASS — SPRING BREAK

March 17: Supply

- Chapters 21, 22, and 23

March 24: Perfect Competition and Monopoly

- Chapters 24 and 25

March 31: Game Theory

- Chapter 28

April 7: Market Efficiency, Market Failures, and Externalities

- Chapters 31 and 34
- *PUZZLE PAPER DUE*

April 14: Public Goods

- Chapter 36

April 21: Makeup Class or Review

- *POLICY PAPER DUE*

April 28: FINAL EXAM