

**CARLETON UNIVERSITY**

**SCHOOL OF PUBLIC POLICY AND ADMINISTRATION**

**PADM 5111-F2014 – Microeconomics for Policy Analysis**

**Instructor:** Mehdi Ammi  
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**Class:** Tuesday, Thursday 14:35 – 15:55

**Office hours:** The hour following the class or by appointment

*Important note: The present outline is tentative and subject to change.*

**Course description:**

The course examines microeconomic theory and its applications for policy analysis. The purpose of the course is 1) to provide you with a working knowledge of microeconomics that 2) will help you understanding public policy relevant questions. The course has 3 parts covering the fundamental concepts of microeconomics: demand, supply and general equilibrium.

**Course objectives:**

The objective of the course is to better understand how individuals, firms and governments make decisions and choices, why governments' interventions may be economically justified and how governments can best assist to improve social welfare. Learning microeconomics is mainly about learning a new language. The goal is not only to provide you with the fundamentals of this "language", but also to make you able at thinking critically about it in a public policy context.

**Course requirements:**

A working knowledge of secondary school algebra and geometry. I will rely as much as possible on graphics and visual interpretations. Knowledge of introductory microeconomics and calculus will be helpful but is not required.

It is important not to say essential to do problems to learn microeconomics. As for any language learning process, practice is the key of success. You are strongly encouraged to form a micro problem study group (2 to 4 students max.).

**Assessment:**

Grades will be based on a final exam (40%), a mid-term exam (30%), and assignments (30%).

There will be three assignments. Assignments are due at the beginning of class on the due date (TBA). Late or missed assignments are not accepted unless legitimate reasons. Feel free to work assignments during your micro problem study group, but only individual answers will be accepted for marking.

### **Teaching Assistant:**

Our teaching assistant, Ruby Dagher, will hold regular office hours and tutorial service (TBA). We will begin tutorial after a few lectures. Ruby will be available to help with problems from the text and with general course material. You are strongly encouraged to attend tutorial service. Ruby will be a precious resource that you should use to better understand material covered in class. However, no help will be provided with regular assignments.

### **Academic Accommodations:**

You may need special arrangements to meet your academic obligations during the term. For an accommodation request the processes are as follows:

**Pregnancy obligation:** write to me with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. For more details visit the Equity Services website: <http://www.carleton.ca/equity/>

**Religious obligation:** write to me with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. For more details visit the Equity Services website: <http://www.carleton.ca/equity/>

### **Academic Accommodations for Students with Disabilities:**

1. Identify your needs for disability-related academic accommodations to the Paul Menton Centre (PMC), supported by relevant and recent documentation from a registered health care professional, by booking an intake appointment with a PMC Coordinator. Documentation forms are available for download on the PMC website <http://www.carleton.ca/pmc/>.
2. With appropriate documentation and your input, your PMC Coordinator will formally evaluate your needs for accommodation by establishing a protocol. Factors taken into consideration when establishing an accommodation protocol are the specific impact of your disability on academic functioning, the degree of the impact, the extent in which your documentation supports your requests, and whether the accommodation will significantly compromise the essential requirements and/or academic integrity of the course.
3. You must request accommodations at the beginning of each academic term. New students are required to meet their PMC Coordinator in the Fall and Winter Terms. If you are a returning student, you may have the option of submitting your request for accommodation on line via myPMC.
4. You will be issued a “Letter of Accommodation” for each course, stating your documented accommodation needs. The Letter is sent by email to your course instructor and your Carleton email.
5. You are required to speak to your course instructor soon after receiving the Letter to discuss how best to implement your accommodations. Please note that a 2-week notice is required for instructors to make accommodation arrangements for any in-class scheduled tests/quizzes/midterm exams.

6. The deadline to request accommodations for formally scheduled exams each term is published on the PMC website, on the Deadline Dates page <http://www.carleton.ca/pmc/students/dates-and-deadlines/>.

7. If your course instructor does not agree to any or all of your accommodations as stated on your Letter of Accommodation, you should contact your PMC Coordinator to request that s/he initiates an informal review of the decision.

You can visit the Equity Services website to view the policies and to obtain more detailed information on academic accommodation at <http://www.carleton.ca/equity/>

**Required textbook:**

Robert Frank, Ian Parker and Ingela Alger, *Microeconomics and Behavior, 5th Canadian edition*, McGraw-Hill, 2013

See also the web page for the book: [www.mcgrawhill.ca/olc/frank](http://www.mcgrawhill.ca/olc/frank). This site contains a good math review.

**Caveat: Readings may be added or substituted throughout the semester at the instructor's discretion**

## **Class schedule and required readings (still subject to change)**

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Book chapters refer to Frank, Parker and Alger, 5th edition (2013). Because we only have a one-semester class, we will not cover all the content of the chapters. For purpose of the exams, you will be responsible for the theory that we cover in class. The textbook is well written and stands by itself. Due to the short time window, I will not ask you to read supplementary material. Of course, you are welcome to asking me if you are interested in more references for some topics. Finally, note that the schedule is approximate and could be changed as the course proceeds.

### **PART I: THE DEMAND-SIDE – CONSUMER THEORY**

#### **Week 1-3: Introduction and Rational Choice**

*Introduction: thinking like an economist. Supply and demand analysis.*

Chapters 1 and 2

*Basic model of rational choice. Budget lines, indifference curves and optimization.*

Chapter 3

[First assignment about here](#)

#### **Week 4: Individual and Market Demand**

*Income and substitution effects. The relationship between individual and market demand. The concept of elasticity.*

Chapter 4

#### **Week 5: Applications of the Rational Choice Model**

*Selected topics: tax and rebate; school vouchers; price-elasticity applications.*

Chapter 5

#### **Week 6: Economics of Information and Choice under Uncertainty**

*The economics of information: screening and signaling; moral hazard and adverse selection. Modelling choice under uncertainty and attitude toward risk.*

Chapter 6

Midterm exam about here

## **PART II: THE SUPPLY-SIDE –THEORY OF THE FIRM**

### **Week 7: Production and Costs**

*Short-run and long-run. Relationships between total, average and marginal output/costs. Production functions and isoquants. Cost functions and isocosts.*

Chapters 9 and 10.

### **Week 8-9: Perfect Competition**

*Conditions and properties of perfect competition. The basic model of the competitive market in the short-run and in the long-run.*

Chapter 11

Second assignment about here

### **Week 10: Monopoly**

*The monopolist behavior. Price discrimination. The impact of monopoly on social welfare.*

Chapter 12

## **PART III: GENERAL EQUILIBRIUM AND WELFARE**

### **Week 11: General Equilibrium and Market Efficiency**

*Introduction to the general equilibrium. Edgeworth boxes and the efficiency in the economy. If we have not already used up our time, I will introduce public goods, public choice and cost-benefit analysis (chapter 18)*

Chapter 16 (and possibly 18)

Third assignment about here

### **Week 12: Completion of above Outline and Review class**