

**Economics for Public Decision-Making  
PPPA 6003, Sections 10, 11, and 12  
Fall 2013**

Trachtenberg School of Public Policy and Public Administration  
George Washington University

Section 10

Wednesdays, 12:45 - 2:45 pm, Duquès Hall (2201 G Street), Room 250

Section 11

Wednesdays, 6:10 - 8:10 pm, MPA Building (805 21<sup>st</sup> Street NW), Room 310

Section 12

Thursdays, 6:10 - 8:10 pm, MPA Building, Room 305

**Course Staff**

Instructor

Professor Christopher Carrigan

MPA Building, 601K

(202) 994-5583

ccarrigan@gwu.edu

Office Hours: Wednesdays, 3:30 - 5:30 pm, and Thursdays, 1:30 - 3:30 pm, as well as by appointment

Instructional Assistant

Melissa McShea

mfmcshea@gwmail.gwu.edu

**Overview and Learning Objectives**

Making good decisions in the public sector requires solid critical thinking and analytical skills. Moreover, these decisions can require the manager in a public organization to consider a different and potentially more complicated set of considerations relative to similar choices in the private sector. This course approaches the study of microeconomics from the perspective of how it can assist current and prospective public managers to better address real-world policy problems. As a result, the course emphasizes applications related to situations where government does or could intervene in the economy. Some broad questions that are addressed include: When can government play a role in improving market outcomes? How can we evaluate whether a policy is likely to be effective? What are the potential pitfalls associated with government involvement in markets? How can public managers improve the efficiency and effectiveness of their organizations?

The course is primarily intended for students in the Master of Public Administration program. No prior study of economics or mathematics is necessary or assumed although some familiarity with graphing, computation, and algebra is helpful. A fundamental purpose of the course is to introduce students to the economic way of thinking and to show how that approach can enable them to make more informed and better choices. Students will be exposed to concepts and tools that will allow them to build the skills to be able to:

- Apply microeconomics to help solve current public sector challenges.
- Implement relevant graphical and algebraic analyses.
- Evaluate arguments advocating certain approaches to addressing policy issues.
- Incorporate economic principles into how they approach decisions in daily life.

## **Expectations**

Course grades will be determined through a combination of five elements based on the percentages listed in parentheses below.

Class Participation (10%): Please come to class and come prepared by reading the materials assigned in advance. The class sessions will be more interesting to both of us, and you are sure to learn more if you prepare. If you do need to miss class, be sure to get notes from one of your classmates as the class discussions will be the best source of material for the exams.

Problem Sets (15%): There will be nine problem sets assigned over the course of the semester, of which the top eight will be counted in computing your final grade. Thus, you can choose to skip one problem set, or if you decide to turn in all nine, the one with the lowest grade will be dropped. The problem sets will be graded on a check-plus, check, and check-minus system. To the extent you find it useful, you should feel free to work on these assignments with classmates. However, if you do decide to work with other students, you must still turn in your own solutions and list the names of those individuals at the top of the problem set. Problem sets should be handed in at the beginning of class or dropped in my mailbox prior to class.

Midterm Exam (20%): The midterm will be a closed book exam given during class on October 9 or 10 depending on your section and will cover all course material up to that point. You are free to use a calculator for the exam, but you are not allowed to use the programming function of the calculator if it has one.

Policy Brief (25%): Here is your chance to apply what you have learned to a policy problem. You will choose a policy issue of interest from a set of possibilities that I will provide and write a short paper (approximately four pages) incorporating both a little of your own research as well as your knowledge of the microeconomic concepts relevant to the problem. Unlike the problem sets, group work is not permitted on this assignment. Additional details will be provided after the midterm.

Final Exam (30%): The final will also be a closed book exam and, depending on your section, is tentatively scheduled for either December 11 or 12. Like the midterm, although you can use a calculator, you are not allowed to use the programming function associated with it. The exam will cover all of the course material but will place a relative emphasis on the information assigned after the midterm.

## Reading Materials

The two books described below are both required reading. In addition, each week will feature a case study to connect the economic concepts to real world issues. The readings associated with these case studies can be found under the "Course Outline" tab on the course Blackboard site which is located at <http://blackboard.gwu.edu>. In addition to their relevance for class discussions, the case studies will also form the basis for some of the problem set questions.

Mankiw, N. Gregory. *Principles of Microeconomics*. 6<sup>th</sup> ed. Mason, OH: South-Western Cengage Learning, 2012.

Wheelan, Charles. *Naked Economics: Undressing the Dismal Science*. New York: W. W. Norton & Company, 2010.

The Mankiw book is the textbook for the course. You can choose to use the 5<sup>th</sup> edition instead, but it is your responsibility to make sure that you are both covering the same material when reading and answering the correct problems given that the book will be used as a source for some of the problem sets. You will not need to access any of the online supplemental materials. The Wheelan book is not a textbook, is easy to read, and provides concrete explanations of even the most difficult ideas that we cover. It should be a very useful reference for you.

## Class Schedule, Readings, and Assignments

The schedule as outlined below is somewhat tentative in the sense that while I will keep us moving forward, I want to make sure we are covering everything that is relevant given that, for many, this will be a first course in economics. Moreover, I may change some of the case studies depending on what is currently in the news. However, to the extent that I do make changes, I will be certain to let you know in class. Furthermore, an updated version of the syllabus will always be available on the course Blackboard site.

### 1 – August 28, 29

Topic: Introducing Economics

Readings: Mankiw, Chapters 1 and 3  
Wheelan, Chapter 12

Case Study: Outsourcing Olympic Uniforms

### 2 – September 4, 5

Topic: Competitive Markets

Readings: Mankiw, Chapter 2 Appendix and Chapter 4  
Wheelan, Chapter 1

Case Study: Drought and Corn Production

Due: Problem Set 1

### 3 – September 11, 12

Topic: Consumers and Demand

Readings: Mankiw, Chapter 5

Case Study: Metro Fares

Due: Problem Set 2

4 – September 18, 19

Topic: Firms and Supply

Readings: Mankiw, Chapters 13 and 14  
Wheelan, Chapter 2

Case Study: Costs and Competition

Due: Problem Set 3

5 – September 25, 26

Topic: Efficiency and Surplus

Readings: Mankiw, Chapter 7

Case Study: Cost-Benefit Analysis

Due: Problem Set 4

6 – October 2, 3

Topic: Government Involvement in Markets

Readings: Mankiw, Chapters 6 and 8  
Wheelan, Chapter 4

Case Study: Organ Donation

Due: Problem Set 5

7 – October 9, 10

Midterm Exam

Hand Out Policy Brief Assignment

8 – October 16, 17

Topic: Monopoly, Oligopoly, and Government Intervention

Readings: Mankiw, Chapters 15 and 17

Dixit, A. K. and S. Skeath, "Simultaneous-Move Games with Pure Strategies I:  
Discrete Strategies," Chapter 4 in *Games of Strategy*

Case Study: Antitrust

9 – October 23, 24

Topic: Externalities, Public Goods, and Government Intervention

Readings: Mankiw, Chapters 10 and 11

Wheelan, Chapter 3

Case Study: Climate Change

Due: Problem Set 6

10 – October 30, 31

Topic: Imperfect Information and Government Intervention

Readings: Wheelan, Chapter 5

Stiglitz, J. E. and C. E. Walsh, "Imperfect Information in the Product Market,"  
Chapter 15 in *Principles of Microeconomics*

Case Study: Consumer Financial Protection

Due: Problem Set 7

11 – November 6, 7

Topic: Government's Role in Promoting Equity

Readings: Mankiw, Chapters 19 and 20

Wheelan, Chapter 6

Case Study: Poverty

Due: Problem Set 8

12 – November 13, 14

Topic: Managerial Economics

Readings: Dixit, A. K. and S. Skeath, "Games with Sequential Moves," Chapter 3 in *Games of Strategy*

Case Study: Decision-Making and Biases

Due: Problem Set 9

13 – November 20, 21

Topic: Political Economy

Readings: Wheelan, Chapter 8

Case Study: Voting Behavior

Due: Policy Brief

November 27, 28

No Class – Thanksgiving!

14 – December 4, 5

Topic: Final Exam Review

15 – TBD but Likely December 11, 12

Final Exam

## **Additional Information and Policies**

Course Selection: This course is intended to be a non-technical introduction to microeconomics. If you majored in economics as an undergraduate or have had substantial training in the subject already, you may consider taking PPPA 6014 (Economics in Policy Analysis) instead. To the extent you would like to talk further about which course is appropriate, feel free to contact me.

Getting Help: I encourage you to come to office hours to ask questions if you are having difficulty with the course material. Getting help from me early in the semester might prove useful as many of the weeks build on concepts from prior sessions.

Submitting Work: Assignments should be turned in by the beginning of class on the date they are due. You can either bring completed work to class or leave it in my mailbox at any point before the deadline. Late problem sets will not be accepted, and policy briefs will be marked down for each day they are late unless I explicitly make an exception based on your extreme circumstances.

Late or Missed Class: I assume that students are absent from class for legitimate reasons (e.g., work, religious holiday, etc.). If you are late or absent from class, it is your responsibility to obtain all announcements, assignments, and handouts from Blackboard or from your classmates.

Exam Dates: Please notify me in advance if you are aware of a conflict, such as a religious holiday you observe, that will preclude you from taking either the midterm or final at the assigned time. To the extent possible, I will certainly look to accommodate the request.

Academic Honesty: All assignments and projects in this class are to be completed in conformance with the George Washington Code of Academic Integrity which can be found at <http://www.gwu.edu/~ntegrity/code.html>. Cheating and plagiarism will not be tolerated.

Grade Changes and Incompletes: No changes can be made to grades after the conclusion of the semester, other than in cases of clerical error. To obtain a grade of incomplete, you must consult with me no later than the last day of classes in the semester. At that time, we will both sign a contract for completing the incomplete and submit a copy to the School Director. Please consult the latest TSPPPA Student Handbook on our website for the school policy on incompletes.

Accommodation for Students with Disabilities: If you need extra time on exams or assignments because of a disability, please let me know as soon as possible. In order to receive accommodations on the basis of disability, you will need to give notice as well as provide proper documentation to Disability Support Services, Rome Hall, Suite 102, (202) 994-8250.