

**PAF 504**  
**Public Affairs Economics**  
**Tuesday Nights, University Center, Room 207**

Jeff Chapman  
Office: 422 University Center  
Office Hours: 3:00-5:00 Mondays and Tuesdays

602-496-0454  
480-502-5331 (home)  
  
jeffrey.chapman@asu.edu

*"...the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back....soon or later, it is ideas, not vested interests, which are dangerous for good or evil.*

John Maynard Keynes, *The General Theory*

The primary objective of this class is to introduce you to the use of economic reasoning and ideas, particularly as applied to both public administration and public policy. To accomplish this, we will engage a variety of topics, problems, and theories to better explain what is occurring in the world around us.

The over-arching goal in all of the PAF 504 classes is to use economic reasoning. This includes understanding marginal analysis, ceteris paribus reasoning, concepts of optimization and sub-optimization, and how to use economic graphs. Other competencies include:

- The applicability of numbers and data for public administrators
- Understanding the types of economies
- Basic macroeconomic concepts
- Understanding of markets, incentives, and resource allocation in both the product and labor markets
- Market failures
- Government's behavioral effects on markets
- The role of competition in provision of public goods
- Elasticity
- Opportunity costs and sunk costs

**Required Text:**

Steinemann, Anne C., William C. Apgar, and H. James Brown. (2005).  
*Microeconomics for Public Decisions*. Mason, OH: Thomson/South-Western Press. (SAB)

## Required readings—all on line

<http://www.whitehouse.gov/cea/pubs.html>

Overview and chapter 1 from the Economic Report of the President, February 12, 2007

<http://www.cbo.gov/>

The Budget and Economic Outlook: Fiscal Years 2008-2017, and glossary

<http://www.frbsf.org/cgi-bin/addresses1.cgi>

“The Fed Today” and “U.S. Monetary Policy: An introduction”. Also, see the glossary.

## Schedule

Session 1 (August 21)	Overview SAB, Chapter 1
Session 2 (August 28)	Demand and Supply SAB, Chapter 2
Session 3 (September 4)	Market Dynamics and Interventions SAB, Chapter 3
Session 4 (September 11)	Choice and Demand SAB, Chapter 4
Session 5 (September 18)	Costs and Supply SAB, Chapter 5
Session 6 (September 25)	Labor Markets Readings Handout Group Project Handout
Session 7 (October 2)	<b><u>Group Project Due at Beginning of Period</u></b> Efficiency and Equity/Welfare Economics SAB, Chapters 6 and 7
Session 8 (October 9)	Monopoly SAB, Chapter 8
Session 9 (October 16)	Externalities SAB, Chapter 9

Session 10 (October 23)	Public Goods/Tiebout SAB, Chapter 10
Session 11 (October 30)	Imperfect Information SAB, Chapter 11
Session 12 (November 6)	<b><u>Review Quiz (in class)</u></b> Government Failures Weimer, David L. and Aidan R. Vining (1999). Chapter 8: “Government Failures” in <i>Policy Analysis</i> .
Session 13 (November 13)	<b><u>Individual Project Due at Beginning of Period</u></b> Macroeconomics Handouts
Session 14 (November 20)	Macroeconomics
Session 15 (November 27)	International Trade or Catch-up

### **Grading**

Current events		15
Class participation	10	
Short Quiz	10	
A problem set, which is a group effort	20	
One individual paper		20
Final Exam	25	

Note that all work is open book, open notes, open friends, open other instructors, etc. The goal is to ensure that you are learning! However, all documents turned in must be yours—consultation is fine, plagiarism is not. See the University rules on plagiarism at:

[http://www.asu.edu/studentaffairs/studentlife/judicial/academic\\_integrity.htm](http://www.asu.edu/studentaffairs/studentlife/judicial/academic_integrity.htm)

Current Events: Each week, each student will be responsible for submitting a current event that has to do with a piece of economic news that occurred during the week. This should be an article, an op-ed piece, or an analysis from a newspaper or magazine. Otherwise, a printout is acceptable. Note that you do not have to do any analysis—we will do that in class.

Class Participation: Everyone starts with the full 10 points. There will be deductions for being obviously unprepared or for missing class without a reasonable excuse.

One short review quiz: This short quiz will start Session 12 and will cover material of Sessions 7 through 11. This quiz will be open book, open notes, and you can even consult with classmates if you wish. The quiz will not take the entire session so there will be continuation of the class after the quiz.

Problem Set: **This is a group project that will be due at the beginning of session 7.** The entire group will receive one grade. However, to prevent free riding, each member of the group will evaluate the contribution of the other members (as a percent of total effort). I will keep this evaluation confidential, but it will be factored in if there is a borderline grade determination at the end of the class.

Paper: **This is an individual project that will be due at the beginning of session 13.** This will be a five page (double-spaced, 12 font) analysis on the applicability of a particular topic studied during sessions 7 through 11 to a city manager. For example, you might want to recommend a method of determining if a park should be built or you might want to recommend ways of motivating your staff under imperfect information, or you might want to privatize a particular operation but ensuring that it doesn't behave as a monopoly, etc.

A note on carefulness: Howard Frank, in his syllabus, as perhaps the best comment on presentation:

If we were in a bureaucracy, you would not want to turn in a typo-strewn work product with grammatical errors to a superior. I expect nothing less of you here. Stated succinctly—this is graduate-level training, (sic) and I will show little tolerance for poor grammar, spelling, and presentation.

I concur with Professor Frank.

Final: This is a take-home exam. It is open notes, open books, open friends, open faculty. **It is due in my office on or before 5:00 pm on December 4<sup>th</sup>.** Any late final will result in an incomplete for the course as well as any other penalties.

**Final Note: While late papers will be grudgingly accepted, there will be a grade penalty. The topics have been specified far in advance, so any excuses must be superb.**