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PA 5021, Sections 3/4 - Microeconomics for Public Affairs and Planning I

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Fall Semester 2006
Blegen 415
M,W 9:45-11:00
Lab: HHH 15
F 9:05-9:55

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I. The Purpose and Objectives of the Course:

This course aims to help you understand how to apply microeconomic concepts to a variety of problems and to understand how others do so. More specifically, the course considers economic incentives and the operation of markets of various kinds. It also provides an introduction to the problem of various market failures and the variety of public policy instruments that have been devised to correct for those failures. An understanding of the relations between the market economy and public policy is essential for most successful policy analysts and managers. Much of the foundation for that understanding will be developed in this course; it will be extended in PA-5022. Examples will illustrate the usefulness of the material for the private, public, and non-profit sectors.

While the course does not stress a mathematical approach to microeconomics, much of the theory will be illustrated with numerical examples. Some facility in the solution of simple numerical problems will be developed in the course. These simple problems and all of the rest of the material in the course has one major objective: By the end of the semester you should be able to read a newspaper story on almost any microeconomic topic and either understand the issues and stakes for various parties or see quite clearly how the story is inadequate by not providing sufficient material for at least a first-cut analysis. Special attention will be given in this meeting to the global economy and to a comparison between U.S. practices and those elsewhere, particularly in Western Europe.

This is a graduate level course dealing with material that many find unfamiliar. Virtually everyone will need to spend substantial time outside of class working on the assigned

material. Experience has shown that this will involve 6-10 hours a week beyond classroom time.

II. Grading and Exams

Class attendance is expected in the sense that you are responsible for any material presented there that is not in the book. Moreover, because the subject matter is difficult and there a diverse set of topics, reading for the material to be covered in class should be done ahead of time.

You will be part of a four-person group that will work together on various aspects of the course. One activity of the group will be to make classroom presentations. You will also have the opportunity for individual classroom contributions. The combination of these two factors will count for 15 percent of your grade.

You will be given short problem sets nearly every week that, altogether will count for 15 percent of your grade. Your group is urged to do initial work together on the problems, although working out the final answers is best done on your own. Problems of this type will also play a part in the three quizzes and the final exam. The *Study Guide* by Suslow and Hamilton provides valuable practice for these problems and for much of the rest of the material in the course. Students in previous years have found it very valuable.

There will be three quizzes in the course; together they will count for 45 percent of your grade. The dates for the quizzes are listed on the class schedule. There will be no make-up of quizzes. There will, however, be an extra credit homework assignment that will be distributed by early December that you can substitute for one of your quiz grades.

The final exam for the course will be on Wednesday, December 21 from 10:30-12:30. This two hour exam will count for 25 percent of your grade. The final exam will be cumulative with somewhat more emphasis on material taught after the third quiz

If you have any special needs that affect examination, please see the instructor prior to the first quiz.

III. Required Texts

The textbook for the course is Robert S. Pindyck and Daniel Rubinfeld, *Microeconomics*, 6th edition, Prentice-Hall, 2005. You may also benefit from using the *Study Guide* for Pindyck and Rubinfeld by Valerie Suslow and Jonathon Hamilton, Prentice-Hall, 2005.

Additional short readings will be distributed during the semester.

IV. Use of the Computer

All Humphrey Institute students are given a computer account that allows us to communicate with each other by email. You should also make use of the World Wide Web. Here are a few sites you might find interesting to take a look at:

Internet Resources for Economists:

<http://www.oswego.edu/~economic/econweb.htm>

The Economist

<http://www.economist.com/>

The Bradford DeLong Website

<http://www.j-bradford-delong.net/>

“The Dismal Science” in *Slate*

<http://www.slate.msn.com>

Other sites may be noted during the semester.

V. Course Outline and Required Reading

The following dates are subject to change, although quiz dates will not be changed without class agreement.

September 6	<i>Introduction</i> , Pindyck and Rubinfeld (P&R) pp. 3-18
September 8	Discussion meeting
September 11, 13	<i>Supply and Demand: Concepts and Solutions</i> P&R, pp. 19-57
September 15	Discussion meeting
September 18, 20	<i>Consumer Behavior</i> , P&R, pp. 63-89; 92-96
September 22	Discussion meeting
September 25, 27	<i>Demand and Consumer Surplus</i> , P&R, pp. 107-131; 135-136
September 29	Discussion meeting

October 2, 4	<i>Physical Production</i> , P&R, pp. 187-210
October 6	Discussion meeting
October 9	Quiz 1
October 11	<i>Costs in the Short and Long Run</i> , P&R, pp. 213-247
October 13	Discussion meeting
October 16	<i>Competitive Supply in the Short Run</i> , P&R, pp. 261-281
October 18	<i>Competitive Supply in the Long Run</i> , P&R, pp. 281-295
October 20	Discussion meeting
October 23	<i>Competitive Markets and Welfare</i> , P&R, pp. 299-333
October 25,	<i>Monopoly</i> , P&R, pp. 339-349
October 27	Discussion meeting
October 30	Quiz 2
November 1	<i>Monopoly Power and Its Control</i> ; P&R pp.351-364; 372-377
November 3	Discussion meeting
November 6, 8	<i>Monopoly and Price Discrimination</i> , P&R, pp. 381-403
November 10	Discussion meeting
November 13	<i>Monopolistic Competition</i> , P&R, pp. 435-441
November 15	<i>Oligopoly</i> , P&R, pp.441-447; 453-468
November 17	Discussion meeting

November 20	Quiz 3
November 22, 27	<i>Factor Input Markets</i> , P&R, pp. 515-542
November 24	Discussion meeting
November 29	<i>Information as a Market Problem</i> , P&R, pp. 613-620; 623-627
December 1	Discussion meeting
December 4, 6	<i>Externalities and Public Goods</i> , P&R, pp. 641-672
December 8	Discussion meeting
December 11, 13	<i>The Gains from International Trade</i> , P&R, pp.601-606; <i>Market Failure</i> , pp. 607-609