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Public Administration 410

Economics for Public Administration and Policy Decisions

Summer Session 2008

Tuesdays & Thursdays, 6:00-9:00 p.m., Burnham Hall B10

Course Description

In this course, you will: Apply economic reasoning to policy issues; Study and incorporate microeconomic principles into public administration and policy decisions; Understand different types of government intervention into economic processes and the reasons why such government interventions occur; Examine price and wage determination through market mechanisms and study examples of government programs that affect prices and wages; and Study taxation, including excise taxes, tariffs, burden and incidence of taxation. Upon successful completion of this course, you should be able to apply principles of economics to policy intervention decisions and overall public decision making processes.

Course Policies and Assignment Details

Assignments: I do not allow students to do extra work (i.e. an additional assignment) to improve their course grade, as it is not fair to others who do not have the same opportunity. Late assignments will be penalized unless the student has a legitimate excuse or crisis causing the delay in completing work (i.e. illness, family death), which is brought to my attention prior to an assignment's due date. The grade you earn by the end of the semester is the grade you have earned. An "Incomplete" is *only* earned by students with legitimate excuses or crises and who make requests prior to the end of the course.

Deadlines: All assigned exercises are to be submitted *at the beginning of class* on the day they are due. Students lose up to 10 percent of an assignment's score for each day it is late. Assigned readings must be completed *before* they are discussed in class.

Extensions for assignments: Extensions for assignments are at my discretion and should be requested *before* the assignment's deadline. Emergencies will be considered on a case-by-case basis. If you have a question about an extension, please *talk to me*.

Plagiarism and cheating are penalized severely, in accordance with university sanctions. Guidelines regarding academic integrity at UIC are available at <http://www.uic.edu/depts/sja/integrit.htm>, and sanctions for academic dishonesty are also available online at: <http://www.uic.edu/depts/sja/chpt3.htm#3>.

Attendance: Great emphasis is placed on attendance and active involvement in class. If you do not attend, you cannot be involved in class discussions, which affects your participation score. If your final grade is on the border, a subjective assessment of your class participation and comprehension of the material may be used to make final adjustments.

Grading, Point Breakdown, and Assignment Due Dates

Assignment	Date	Points
Quiz 1	June 26	15
Midterm Exam	July 10	30
Quiz #2	July 24	15
Final Exam	August 7	35
Attendance & Class Participation	All	5
Total		100

Course grading as follows: 100-90%=A; 89-80%=B; 79-70%=C; 69-60%=D; >60%=F

Required Text

Mansfield, E. and Yohe, G., *Microeconomics*, 11th edition (2004). W.W. Norton & Co.
(NOTE: The 10th ed. is fine too, but the page numbers in this syllabus correspond to the 11th ed.)

Course Outline

The course outline is subject to change, but any changes will be announced in class as soon as possible and announced via email.

Week 1: (June 17 & 19) Introduction to Microeconomics, Intro to Supply and Demand

Topics: Economic problems; definitions; Economic systems; The role of and evaluation of models; Critical review of positive economics; Basics of demand and supply; Definition of a market, Demand and supply schedules; Price elasticity of demand; Income elasticity of demand

Reading: Mansfield & Yohe, Chapters 1 & 2

Week 2, Tuesday: (June 24) Consumer Choice, Individual Demand & the Market Demand Curve

Topics: Theory of rational consumer choice: utility, budget constraint, indifference curves, optimal bundle; Application of rational choice and demand theories; Substitution and Income Effects; Welfare measures and consumer surplus; Price elasticity of demand, Cross-price elasticity of demand; Marginal revenue; Measurement of demand curves

Reading: Mansfield & Yohe, Chapters 3 & 4

Week 2, Thursday: (June 26) Quiz #1 —Chapters 1-4

Week 3, Tuesday: (July 1)

Topics: Firm cost functions; Optimal output level of the firm; Industry-wide price and output determination; The empirical estimation of production functions and cost functions

Reading: Mansfield & Yohe, Chapter 7

Week 3, Thursday: (July 3) Independence Day Holiday, no class

Week 4, Tuesday: (July 8) Microeconomic Theory of the Firm—Cost Functions

Topics: Perfect Competition; Market price determination in both the short-run and long run

Reading: Mansfield & Yohe, Chapter 8

Week 4, Thursday: MIDTERM EXAM (July 10)—Chapters 1-4, 7 & 8

Week 5: (July 15 & 17) Perfect Competition

Topics: Producer surplus and total surplus; Perfect competition and the maximization of total surplus; The effect of a price ceiling and floor; Tariffs and quotas; Effects of an excise tax; Inter-temporal Choice – Consumption and Savings, Interest Rates, NPV Rule for Investment Decisions, Internal Rates of Return, Pricing of Exhaustible (non-renewable) Resources; Introduction to Benefit-Cost Analysis; Discounting and net present value

Readings: Mansfield, Chapters 9 & 10

Week 6, Tuesday (July 22): Monopoly

Topics: Monopoly power; Short and Long-run equilibrium Price and Output; Comparison of Monopoly and Perfect Competition; Price discrimination; Public regulation of monopoly

Readings: Mansfield & Yohe, Chapter 15

Week 6, Thursday (July 24) Quiz 2—Chapters 9, 10 & 15

Week 7: (July 29 & 31) Public Goods, Externalities and the Role of Government

Introduction to public goods and externalities, Efficient output of a public good; Externalities and economics of the environment: Pollution control policies; Property rights and the Coase Theorem

Reading: Mansfield & Yohe, Chapter 18

Week 8, Tuesday: (August 5) General Equilibrium Analysis and Resource Allocation

Partial equilibrium analysis vs. general equilibrium analysis; The existence of general equilibrium; A simple model of general equilibrium; The Edgeworth Box Diagram; The Production Possibilities Curve; Production and exchange

Reading: Mansfield and Yohe, Chapter 16

Week 8, Thursday: FINAL EXAM (August 7)—Chapters 9, 10, 15, 16 & 18