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Objectives:
Economic means do not cover all economic wants. That basic truism applies to people, firms, and the government. This understanding will be a cornerstone of the analysis done in this course. Throughout most of the world today, markets play a key role in deciding what goods and services get produced, who produces them, and who consumes them. Few issues resonate in US policy debates as deeply as the question of how well markets serve these roles. PAD 503 investigates how markets serve these roles, the efficiency and equity implications of market operations, and the primary rationales for policy interventions in markets. This class explores the economic roots of public finance.

There are many ways we could decide how to allocate resources to different uses. Economics is concerned with

i) Conceptual issues of cost-benefit analysis that should inform any decision about resource allocation;

ii) The ways that markets (and, in particular, market incentives) allocate resources; and

iii) The possible role of government in facilitating and mitigating the market allocations.

Within the context of the MPA core, RPAD 503 is considerably more on the policy side of the spectrum than the management side of the spectrum. RPAD 501 will cover the basics of financial management and budgeting. In this class, we will look at aggregate market behavior by using abstract, yet illuminating models. In other words, this is a crash course on the key issues of microeconomics that permeate public policy and politics.

In RPAD503, we have two main objectives:

1) to learn key general principles about how economies work

2) to apply those general principles to the sorts of specific questions/problems facing civil servants on a daily basis
Mathematics:
The MPA program requires a basic competence in algebra. RPAD 503 is one of the courses that will make particular use of this competence. You need to be able to solve problems similar to those shown in the math proficiency quiz given during the first lecture.

Readings:
Greg Mankiw *Principles of Microeconomics, 6th Edition*

Note: I do not care if you buy an earlier edition of this book, but it is your responsibility to make sure that the chapters are the same and to make sure you are working the correct homework problems. There is a copy of the textbook available on reserve in the Dewey Library. Mankiw should be available at Mary Jane’s Bookstore.

Harvard Kennedy School of Government (KSG) cases: available on blackboard

Professional articles: available for full-text download through the SUNY library website (go through the Journal Finder, not the normal catalog), unless otherwise specified.

Grading:
25% Final Exam
20% Midterm
30% Problem Sets
15% Memos
10% Participation/ Commentaries

Assignments:
Assignments for this class include problem sets, memos, and weekly commentaries.

There will be 6 problem sets over the course of the term, of which you must turn in 5, including problem sets 1 and 5. Problem sets are algebra-intensive.
Problem sets 1 and 5 are team problem sets, which you will do in teams that I will assign. Team problem sets are assigned for two reasons: (1) to encourage you to discuss the course material with classmates and (2) to encourage networking. I also strongly encourage you to discuss the individual assignments with your peers, provided that

a) you attempt every problem on your own before discussing them with colleagues;

b) you write up your own individual assignments from scratch, without looking at your colleagues’ work while you do it; and

c) you explicitly acknowledge whom you worked with on the first page of the assignment.
There will be two short analysis memos, in which you discuss how to apply course principles to specific cases. These memos will take a somewhat different form and length than the decision memos assigned in other classes. The first memo assignment will be a group assignment. I will assign the groups.

All assignments must be handed in at the beginning of class on the day they are due. Late assignments should be placed in my faculty mailbox (Milne 103). Late assignments will receive a 20% penalty. Assignments will not be accepted more than 1 week late. You should consider the opportunity to drop one problem set grade as an insurance policy against getting sick, a busy week, or just forgetting to do a homework assignment. If you are unable to attend class on a day that an assignment is due, you can either put the assignment in my mailbox in Milne 101 or email it to me before the start of class.

If you feel like an assignment has been graded incorrectly, you can submit a request for a re-grade within one week of the assignment being returned to you. This request should be made in writing and should detail why you believe that the grading is incorrect. I will re-grade the entire assignment, with special attention paid to the areas you noted in your request.

You are required to submit 2 comments or questions illustrating comprehension of the assigned material each week that reading other than the Mankiw textbook is assigned. Students can choose to submit 2 questions, 2 comments, or one of each. Comments can focus on something you find interesting, surprising, disagree with, etc. Additionally, comments may “connect the dots” between assigned readings we will discuss during the semester. Importantly, the commentaries should not be summaries of the reading. Instead they should reflect your thoughts and analysis on the week’s topic and cases. For example, why do you find a particular topic interesting? How does the reading help you understand the topic more effectively? Is there something you disagree with and why? Etc. Questions can indicate a topic you find confusing and why you are unclear on the matter.

**Submission.** Commentaries are due the day before class. They are to be submitted no later than 24 hours before the scheduled class time, and are to be submitted through the Assignments area in Blackboard, in electronic form only. Each comment/question should be 4-10 sentences in length. Assignments submitted less than 24 hours in advance will receive an initial penalty of 20%. Assignments will not be accepted once class has started.

**Plagiarism and Citations:**
I assume you are familiar with American standards regarding plagiarism. You must familiarize yourself with the information at [http://library.albany.edu/usered/plagiarism/index.html](http://library.albany.edu/usered/plagiarism/index.html). Plagiarism is a major offense and can receive severe punishments, from automatically failing the course to being expelled from the program. If in doubt about acceptable use of sources, ask.

Correct citations are one of the more important elements in avoiding plagiarism. When you use a source in a memo, make sure to cite it using any standard academic citational method. (I personally prefer the author-date parenthetical citation method used in economics, but you may use the norm for your field.) Two things I do care about, no matter which standard you adopt: a) the titles of sources do
not belong in the main text of your paper, but rather in the Works Cited page or a footnote, and b) article titles go in quotes; book and journal titles go in italics.

The key to a citation is that the reader must be able easily to track down the source.

**Grammar Help:**
For individual assignments, you should feel free to seek help in proof-reading your drafts, provided that you make all changes yourself and acknowledge any help on the first page of the assignment.

**Schedule:**

January 29: Managing Limited Resources
- Mankiw, chapters 1-2
- Introduction to Supply and Demand

February 5: Markets and Elasticities
- Mankiw chapters 4-5, + Ch 6 (price ceiling/floor only)
- KSG case 1776.0, “The Coffee Crisis”

February 12: Equity and Efficiency
- Problem Set 1 (Group)
- Mankiw, chapter 7
- Mankiw, chapter 20, pp434-445
- KSG Case 1328.0: “A Money-Losing Public Monopoly Faces a Competitive Threat: the New York City Transit Authority and the ‘Dollar Vans’”
February 19: Taxes; Reading Economics

- Mankiw chapter 6, pages 123-128 only
- Mankiw, chapter 8
- You will be assigned to a team to read one of the following articles, which your team will discuss in class and report on to the class as a whole:

February 26: Production and Profits

- Problem Set 2 Due (Individual)
- Mankiw, chapters 13-14
- Kennedy School Case 1273.0: “Casco’s Bay’s Ferries”

March 5: Market Power

- Memo 1 Due (Group)
- Mankiw, chapter 15 (maybe 16)

March 12: **Midterm**

- Make sure to bring a calculator capable of doing square roots
March 19: Spring Break, no class

March 26: Externalities and Public Goods

- Problem Set 3 Due (Individual)
- Mankiw, chapters 10 and 11
- You will be assigned ONE of the following, to discuss in teams in class:

April 2: Example: Pollution Control

- Problem Set 4 (Individual)
- Handout

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1 The material on Problem Set 3 will help you with the midterm. If you choose to turn in problem set 3 on March 12 (before the midterm) I will give you 10 bonus points on Problem Set 3. It is up to you to decide if this trade off is worthwhile to you.
April 9: Asymmetric Information

- Mankiw, chapter 22, 483-489

April 16: Information Elicitation

- Memo 2 Due

April 23: Special Topics (Income Taxation in the US)

- Problem Set 5 (Group)
- Assignments to be announced (chapter 12)

April 30: Catch up class

- We will take this day to cover Game Theory if we are already caught up.
- Parts of Chapter 17

May 7: Course Overview

- Problem Set 6 Due
- Come prepared with questions about the final exam

May 14: Final exam 5:45 – 8:45 Husted 214 (TENTATIVE)