RPAD 503 PRINCIPLES OF PUBLIC ECONOMICS
COURSE SYLLABUS FOR FALL 2018

Classroom: Husted Hall 214
Class Time: Thursday 5:45-9:25
Credits: 4
Instructor: Amalia Jerison
Office: TBA
Office Hours: By appointment
Email: ajerison@albany.edu

TA: Sungyoon Lee
TA Email: slee30@albany.edu

Prerequisites: PAD 501 and familiarity with algebra

NOTE: I am greatly indebted to Prof. Sorensen for allowing me to use her syllabus from last year’s course. Most of this syllabus is copied from hers. I also thank Prof Weinberg for providing me with his syllabus.

1. COURSE DESCRIPTION

How do markets allocate scarce resources in an economy? What are the key rationales for governments to intervene in the economy? How can we design policies to encourage certain behavior or improve efficiency or equity? This class surveys microeconomic theory, with particular emphasis on principles most relevant for government and applications to policy or management. The first part of RPAD 503 explores markets and their efficiency at allocating resources under perfect conditions. The second part of RPAD 503 explores the ways that markets can fail to achieve efficiency (or result in other undesirable outcomes), and examines remedies for solving these failures.

Students with substantial economics background (e.g. one graduate microeconomics course or two advanced undergraduate microeconomics courses) should confer with the instructor about possibly waiving RPAD 503.

Learning Objectives.

By the end of the course students should be able to:

(1) Understand key general principles about how economies work, when they work well, and when they don’t work well; and
(2) Apply those general principles to the sorts of specific questions/problems facing civil servants on a daily basis.

**Competencies.**

How does RPAD 503 fit into the NASPAA competencies discussed in RPAD 507?

Competency 1: ability to lead and manage in public governance

We will discuss principles relevant to managing public resources, especially in the sections on public goods and externalities.

Competency 2: to participate in and contribute to the policy process

This course examines the strengths and weaknesses of using market and non-market mechanisms to achieve policy goals. We will read professional policy-related economics articles and learn how to get relevant information from real-world studies.

Competency 3: to analyze, synthesize, think critically, solve problems, and make decisions

Most of what we do in this course falls into this category. Of the specific items listed in the 507 guidelines, we pay particular attention to: Evaluating the equity and efficiency implications of policy options; assessing the ways in which policies can change people’s, firms’ or countries’ behavior; assessing the significance of policy problems and solutions (especially vis-à-vis market forces); and differentiating between short- and long-term problems and solutions (the short-term effects of a policy may differ from the long-term ones because of the way markets or a society are evolving over time).

Competency 4: to articulate and apply a public service perspective

The course will discuss trade-offs of using public and private mechanisms to achieve policy goals.

Competency 5: to communicate and interact productively for a diverse community

We will be writing memos and discussing economic and policy ideas both in person and online.

**Readings.** We have switched to using primarily open educational resources in an effort to save students money that would otherwise be spent on a costly textbook.

(1) *Principles of Economics*, University of Minnesota Libraries Publishing, eLearning Support Initiative (denoted by "Minnesota" in the schedule below)

(2) *Principles of Microeconomics*, by Douglas Curtis and Ian Irvine, Lyryx Learning Inc. (denoted by "Lyryx" in the schedule)

(3) *The Price of Everything: A Parable of Possibility and Prosperity*, by Russ
Roberts. ISBN #0691143358.

(4) Harvard Kennedy School of Government Cases (KSG)

Other readings, or links to readings, will be posted to Blackboard, as noted in the schedule.

2. COURSE POLICIES

Attendance. Students should make every effort to attend every class. Because this course only meets once per week, missing a single class could have significant consequences on student learning. It is the responsibility of the student to plan with the instructor ahead of time for any necessary absence and to coordinate with classmates to catch up on course material and assignments.

Participation. As in the real world, students will benefit from regularly asking questions, engaging in friendly class debate, and contributing equally to group assignments and projects. Out-of-class participation is also a vital element of the course: Between classes the instructor will post an online video including a question for students to respond to in a Blackboard forum. Students should perform the following each week:

(1) Write their own short response post to the forum by the evening before class at 8 PM;

(2) Read their classmates’ posts; and

(3) Comment on at least two classmates’ posts.

Office Hours. Office hour appointments will be available from 12 to 3 PM on Tuesdays and from 5 PM to class time on Thursdays. Please email me to schedule an appointment. If you cannot make those times, you can ask for a meeting at a different time. Taking advantage of one-on-one or group meetings with the instructor throughout the semester is a valuable way to stay on top of the material.

Plagiarism and Citations. Please familiarize yourself with the information at 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, please ask. Correct citations are one of the most important elements in avoiding plagiarism. When you use a source in a memo, make sure to both include in-text citations and create a bibliography using either the APA formatting style or the Chicago Author-Date formatting style.

Copying a colleague’s work directly is cheating.

Accommodations. Reasonable accommodations will be provided for students with documented physical, sensory, systemic, cognitive, learning and psychiatric disabilities. If you believe you have a disability requiring accommodation in this
class, please notify the Disability Resource Center (Campus Center 130; 518-442-5490; DRC@albany.edu). That office will provide the course instructor with verification of your disability, and will recommend appropriate accommodations. If you wish to discuss academic accommodations for this course, please inform the instructor as soon as possible.

3. GRADING

**Grade Components.** Your grade will comprise of a weighted average of all assignment, exam, and participation grades, with the breakdown specified in the table below. Midterm and final exam raw scores will uniformly be adjusted upwards such that the median score lies in the B+ range. We will use your top four scores from the five assigned problem sets.

<table>
<thead>
<tr>
<th>Component</th>
<th>Details</th>
<th>Percent of Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Problem Sets</td>
<td>4 assignments at 7 points each</td>
<td>28</td>
</tr>
<tr>
<td>Memos</td>
<td>2 at 7 points each</td>
<td>14</td>
</tr>
<tr>
<td>Midterm Exam</td>
<td></td>
<td>20</td>
</tr>
<tr>
<td>Final Exam</td>
<td>Cumulative</td>
<td>30</td>
</tr>
<tr>
<td>Participation</td>
<td>2 components at 4 points each</td>
<td>8</td>
</tr>
</tbody>
</table>

**Problem Sets (28%).** You will be assigned five problem sets: Three to turn in individually and two to turn in with a team. Your lowest grade out of the five problem sets will be automatically dropped. You should expect to spend approximately 10-14 hours on each problem set.

**Memos (14%).** There will be two short analytical memos one prepared individually and one as a team 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 RPAD 507. A grading rubric for memos will be provided to students.

**Participation (8%).** Participation scores will consist of two components:

1. **Notecard activities (4%):** At five randomly-determined points within the semester, I will hand out notecards at the exact beginning of class and ask students either an individual or group question that requires understanding of a key concept from the week's reading. Each notecard is worth one percentage point, and one notecard activity grade is dropped automatically. There are no make-up notecard activities.

2. **Online participation (4%):** If students participate in the Blackboard forums regularly by asking questions, responding thoughtfully to instructor prompts, and reading and commenting constructively on their classmates posts, they will receive full credit. Students are automatically forgiven one late post and one missed post during the semester.

**Late Work.** All problem sets and memos are due at the beginning of class
(5:45 PM) unless otherwise noted. For each day that the assignment is late, one letter grade will be removed from the final score.

**Incomplete.** The graduate policy on incomplete (I) grades can be found at the following link:

https://www.albany.edu/graduatebulletin/requirements_degree.htm#graduate_grades

## 4. MATH PREPARATION

To succeed in RPAD 503, you will need to feel confident solving algebraic problems. Please try solving the following ones:

1. \[3x = 6x - 10 - 2(x - 1),\]
2. \[3x + 2y = 7; \quad y = 2x + 14,\]
3. \[-2 = \frac{15-10}{10-4},\]
4. \[\frac{3}{4x} = x.\]

You should be able to graph lines in \(y = a + bx\) form, and know what a slope is and what a y-intercept is.

If you would like to review this material, you might consider the math refresher recommended for MPA Welcome Week: Bleau, Clemens, and Clemens (2013), Forgotten Algebra, 4th Edition. While the tone is aimed at a younger demographic, you may also find helpful the Khan Academys online videos about solving equations (https://www.khanacademy.org/math/cc-eighth-grade-math/cc-8th-solving-equations) and solving systems of equations (https://www.khanacademy.org/math/cc-eighth-grade-math/cc-8th-systems-topic).

## 5. SCHEDULE

Please check the academic calendar for dates regarding adding, dropping, and withdrawing from the course: http://www.albany.edu/registrar/fall-2018-academic-calendar.php

A full bibliography for the articles in the schedule is given in section 6 below.
<table>
<thead>
<tr>
<th>Week</th>
<th>Topic</th>
<th>Due</th>
<th>Readings</th>
</tr>
</thead>
<tbody>
<tr>
<td>8/30</td>
<td>Introduction</td>
<td></td>
<td>Syllabus; Lyryx 1.1, 1.2, 1.3; Minnesota 1.1, 1.2 (ignore part about econ majors), 1.3</td>
</tr>
<tr>
<td>9/6</td>
<td>Supply, Demand and Elasticity</td>
<td>BB video forum post</td>
<td>Minnesota 3 and 5; Karlan and Zinman 2008; Cummings, Holt and Laury 2004; Reading Guide to Cummings et al.</td>
</tr>
<tr>
<td>9/13</td>
<td>Taxes and Efficiency</td>
<td>PS 1 (Team), BB video forum post</td>
<td>Lyryx 5.1, 5.2, 5.3, 4.7; KSG Case 1776.0 “The Coffee Crisis”</td>
</tr>
<tr>
<td>9/20</td>
<td>Production in the Short Run</td>
<td>Memo 1 (Team), BB video forum post</td>
<td>Minnesota 8.1, 9.2; KSG Case 1273.0 “Casco Bay’s Ferries”</td>
</tr>
<tr>
<td>9/27</td>
<td>Production in the Long Run</td>
<td>BB video forum post</td>
<td>Minnesota 8.2 starting at “costs in the long run”, 9.3; Reyes 2007; Federman, Harrington and Krynski 2006</td>
</tr>
<tr>
<td>10/11</td>
<td>MIDTERM</td>
<td>PS 2 (Individual), BB video forum post</td>
<td>Minnesota 19; Lyryx 2.2; KSG Case 1328.0 “A Money-Losing Public Monopoly Faces a Competitive Threat: The New York City Transit Authority and the Dollar Vans”; Abaluck, Gruber and Swanson 2018</td>
</tr>
<tr>
<td>10/18</td>
<td>Poverty and Inequality</td>
<td>BB video forum post</td>
<td>Karlan and Appel 2011, ch.1; Chetty, Hendren, Kline, Saez and Turner 2014</td>
</tr>
<tr>
<td>Date</td>
<td>Topic</td>
<td>Assignment Details</td>
<td>References</td>
</tr>
<tr>
<td>-------</td>
<td>-------------------------------</td>
<td>---------------------------------------------------------</td>
<td>---------------------------------------------------------------------------</td>
</tr>
<tr>
<td>10/25</td>
<td>Market Power</td>
<td>PS 3 (Individual), BB video forum post</td>
<td>Minnesota 10, 11; Reiffen and Ward 2005</td>
</tr>
<tr>
<td>11/1</td>
<td>Externalities and Public Goods</td>
<td>BB video forum post</td>
<td>Minnesota 6.3; Lyryx 5.5; Brooks 2005; Walsh 2006</td>
</tr>
<tr>
<td>11/8</td>
<td>Solutions to Externalities: Pollution Control</td>
<td>Memo 2 (individual), BB video forum post</td>
<td>Minnesota 18; KSG Case 1514, “Cleaning up the 'Big Dirties': The Problem of Acid Rain.”; Mankiw 2009 (Skip Related Externalities and Energy Independence (pp. 19-21).); Stern 2018 (only read sections 1.1.6 and 2.1-2.6); Marron and Toder 2014 (Skip Sections IIB, IIC).</td>
</tr>
<tr>
<td>11/15</td>
<td>Asymmetric Information</td>
<td>PS 4 (Team), BB video forum post</td>
<td>Chandra, Gruber and McKnight 2011; Calzolari and Denicolò 2015</td>
</tr>
<tr>
<td>11/22</td>
<td>THANKSGIVING BREAK</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11/29</td>
<td>Strategic Games and Mechanism Design</td>
<td>BB video forum post</td>
<td>Axelrod, Robert, The Evolution of Cooperation, Ch. 1; Skyrms, Brian 2004, The Stag Hunt and the Evolution of Social Structure, ch.1</td>
</tr>
<tr>
<td>12/6</td>
<td>Markets or Government?</td>
<td>PS 5 (Individual), BB video forum post</td>
<td>Roberts, The Price of Everything</td>
</tr>
<tr>
<td>12/13</td>
<td>FINAL EXAM</td>
<td>5:45-7:45 PM</td>
<td></td>
</tr>
</tbody>
</table>

6. FULL BIBLIOGRAPHY


Amalia Jerison, August 19, 2018