Public Policy 554: Economics for Public Affairs

Fall 2020

**Instructor**:

Stephanie Leiser

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Office hours:

* Zoom: Fridays 11:00 – 12:30 (sign up using Google calendar)
* In-person: TBA

**Tutor:** TBA

**Canvas Website**: <https://umich.instructure.com/courses/391729>

**Class Meetings**: MW 10:00 – 11:20 on Zoom

**Course Description**: This course teaches fundamental concepts in microeconomics that are essential to the study and practice of public policy and public management. We will focus on real-world applications to answer the question: “Why do people who care about public policy need to know microeconomics?” The primary learning objective of this course is for students to become comfortable applying economic models to real world policy issues. Careful attention will be paid to understanding key model assumptions and limitations, identifying and manipulating model parameters, adapting models to address novel situations, and using models to evaluate and compare policy options.

Course material will be presented to students through a combination of required recorded lectures and class sessions. Class sessions will be a mix of group discussions, applications/examples, and practice problems. The presentation of concepts is mostly graphical, and only algebra-level math will be used.

**Texts and Readings:** Our main text will be *Microeconomics and Behavior* (9th ed.) by Robert H. Frank (available either in hard copy or through an app called Perusall on Canvas). Other supplemental readings will be posted on Perusall/Canvas.

**Grading and Assignments:**

* Problem Sets (4)—30% of total grade

Students will complete four problem sets throughout the semester. These problem sets are designed to reinforce definitions and the more technical aspects of the course material. Students are encouraged to work together on problem sets, though every student must submit their own work.

* Short Memos (3)—25% of total grade

Short memos are designed to complement the more technical problem sets, inviting students to reflect and expand on course concepts and/or relate concepts to real-world examples. Students will complete three short memos (1-2 pages, single spaced) throughout the semester.

* Quizzes (5)—25% of total grade

Students will complete five short quizzes on Canvas. The quizzes should be independent work, and students should not communicate with each other about quiz questions.

* Class Participation—20% of total grade

Attendance will be taken at all class sessions. If you need to miss a session, please access the readings and/or slides for the class you will miss, and write 2-3 paragraphs describing your thoughts, reactions, and questions about the material. Email this to your colleagues ([PUBPOL-554-001-FA2020-A@courses.umich.edu](mailto:PUBPOL-554-001-FA2020-A@courses.umich.edu)) before class begins to receive full credit for the session.

**Other Course Policies:**

* Please let me know immediately if you have a conflict or disability that might inhibit you from meeting due dates or otherwise fully participating in the class. I will make appropriate accommodations.
* Unless a prior agreement is reached, late work will incur a penalty of 10% of the possible points per day.
* No extra credit.

**Tentative Schedule and Topics:** (always check Canvas for the most updated schedule)

**Unit 1 How Free Markets Work**

For policy analysts, microeconomic models can be extremely useful tools, but like any tools, they are more or less useful depending on what you’re trying to do. To understand the strengths and limitations of the microeconomic approach to policy analysis, we’ll begin by taking a detailed look at the workhorse of microeconomics: the model of demand and supply.

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| --- | --- | --- | --- | --- |
| Week | Class Dates | | Unit | In-class topic |
|  | M | W |  |  |
| 1 | 8/31 |  | Consumer Theory | Introduction |
|  |  | 9/2 |  | Thinking like an economist |
| 2 | (no class) |  |  |  |
|  |  | 9/9 |  | Rationality and irrationality |
| 3 | 9/14 |  |  | Nudges vs. incentives |
|  |  | 9/16 |  | Elasticity and policy |
| 4 | 9/21 |  |  | Demand review |
|  |  | 9/23 |  | Practice problems |
| 5 | 9/28 |  | Producer Theory | Labor market discrimination |
|  |  | 9/30 |  | Corporate social responsibility |
| 6 | 10/5 |  |  | Supply side policy - tax incentives |
|  |  | 10/7 |  | Supply review |
| 7 | 10/12 |  |  | Practice problems |
|  |  | 10/14 | Equilibrium + Welfare | Assumptions of equilibrium |
| 8 | 10/19 |  |  | Efficiency and equity |
|  |  | 10/21 |  | Equilibrium and welfare review |
| 9 | 10/26 |  |  | Practice problems |

**Unit 2 When Markets Fail—A Role for Government**

The economics of market failure is the bread and butter of many policy analysts because it provides a normative justification for what government should and shouldn’t do. During this part of the course, we’ll switch back and forth between looking in-depth at real world examples, and then stepping back to the level of models and generalities.

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| --- | --- | --- | --- | --- |
| Week | Class Dates | Unit | In-class topic | Week |
|  |  | 10/28 | Market Failure | Masks and the pandemic |
| 10 | 11/2 |  |  | Climate change |
|  |  | 11/4 |  | Healthcare |
| 11 | 11/9 |  |  | Healthcare |
|  |  | 11/11 |  | Patents |
| 12 | 11/16 |  |  | Big tech and natural monopoly |
|  |  | 11/18 |  | Inequality |
|  | (no class) |  |  |  |
|  |  | (no class) |  |  |
| 13 | 11/30 |  |  | Practice problems |
|  |  | 12/2 | Political Economy | Government failure in the pandemic |
| 14 | 12/7 |  |  | Wrap up and review |

**School-wide Policies and Resources**

**Ford School Public Health Protection Policy:** In order to participate in any in-person aspects of this course, including meeting with other students to study or work on a team project, you must follow all safety measures mandated by the State of Michigan, the University of Michigan and the Ford School. This includes maintaining physical distancing of six feet from others and properly wearing a face covering at all times while on campus. In addition, it is expected that you will protect and enhance the health of everyone in the Ford School community by staying home and following self-isolation guidelines if you are experiencing any symptoms of COVID-19, have been exposed to someone with COVID-19, are awaiting a test result, or have engaged in a higher-exposure activity such a flying or attending an indoor social gathering of more than 10 people.  If you are unable or unwilling to adhere to all prescribed safety measures, you will be accommodated through remote access to all aspects of this course.  Additional information on public health safety measures is described in the [Wolverine Culture of Care](https://campusblueprint.umich.edu/uploads/Wolverine_Culture_of_Care%20sign_8.5x11_UPDATED_071520.pdf) and the [University’s Face Covering Policy for COVID-19](http://ehs.umich.edu/wp-content/uploads/2020/07/U-M-Face-Covering-Policy-for-COVID-19.pdf).

**Ford School Inclusivity Statement:** Members of the Ford School community represent a rich variety of backgrounds and perspectives. We are committed to providing an atmosphere for learning that respects diversity. While working together to build this community we ask all members to:

* share their unique experiences, values and beliefs
* be open to the views of others
* honor the uniqueness of their colleagues
* appreciate the opportunity that we have to learn from each other in this community
* value one another’s opinions and communicate in a respectful manner
* keep confidential discussions that the community has of a personal (or professional) nature
* use this opportunity together to discuss ways in which we can create an inclusive environment in Ford classes and across the UM community

**Accommodations for Students with Disabilities:** If you believe you need an accommodation for a disability, please let your instructor know at your earliest convenience. Some aspects of courses may be modified to facilitate your participation and progress. As soon as you make your instructor aware of your needs, they can work with the Services for Students with Disabilities (SSD) office to help determine appropriate academic accommodations. Any information you provide will be treated as private and confidential.

**Student Mental Health and Well-Being Resources:** The University of Michigan is committed to advancing the mental health and wellbeing of its students.  We acknowledge that a variety of issues, such as strained relationships, increased anxiety, alcohol/drug problems, and depression, directly impact students’ academic performance. If you or someone you know is feeling overwhelmed, depressed, and/or in need of support, services are available. For help, contact [Counseling and Psychological Services](https://caps.umich.edu/) (CAPS) and/or [University Health Service](https://www.uhs.umich.edu/mentalhealthsvcs) (UHS). For a listing of other mental health resources available on and off campus, visit: <https://uhs.umich.edu/stressresources>

**Please review additional information and policies regarding academic expectations and resources at the Ford School of Public Policy** [**at this link**](http://fordschool.umich.edu/academics/expectations)**.**

*Updated 8/30/20*