

**CRP 5122: Intermediate Microeconomics for Public Affairs
Fall 2017**

Professor Nancy Brooks
217 Sibley Hall
phone: 255-2186
email: nb275@cornell.edu
blackboard site: blackboard.cornell.edu.

My Office Hours: Mondays 12:30-2:00, Wednesdays 2:00-3:00 and Fridays 10:30-12:00 in my 217 W. Sibley office.

In addition, Martha Johnson (mcj49) will serve as a teaching assistant and Mark Cassidy (mac579) will serve as a GTRS for this course. Both Martha and Mark will hold office hours each week in addition to my office hours. Their office hours and locations will be posted on the course blackboard site by the second week of the semester.

Course Description: This course covers the intermediate level microeconomic theory necessary to understand the many applications of economics presented in subsequent courses you will take as a CIPA fellow. The primary learning goals of this course are (1) to understand the core concepts of microeconomics and (2) to develop your analytical problem-solving skills.

This course differs from typical intermediate-level microeconomic courses in that there will be more emphasis on the role of policy and the public sector in the economy, although understanding the role and effectiveness of markets will remain central. This course is not a substitute for a full-semester comprehensive course in public economics but is a good foundation for that field-level course.

This course counts as a Foundation Course in Economic Analysis for MPA students.

Comparable courses: CIPA fellows who would prefer more calculus may take Econ 3030 instead of this course.

Students who were economics majors at their undergraduate institution or who have successfully completed both an introduction to microeconomics and intermediate microeconomics will likely not need to take this course. Those students, though, **MUST** formally request to be waived. Please speak to me if you have any questions about waiving this course.

Prerequisites: There are no prerequisites for this course. While a prior knowledge of economics is not needed, this course will cover more material than a traditional introductory microeconomics course.

Textbooks:

There are several very good intermediate microeconomics textbooks on the market but no perfect textbook for a course like this which uses primarily policy and public affairs-oriented applications to illustrate the fundamentals of intermediate microeconomics. I have assigned Robert Frank's intermediate microeconomics textbook *Microeconomics and Behavior* as the required primary text for the course, and, in addition, have included some extra readings that emphasize the policy applications.

I very strongly encourage everyone to buy a copy of the Frank textbook. The most recent edition is not necessary. You can buy a used older edition for a much lower price. The newest edition is the 9th; you can currently buy the 8th edition for less than \$10 on Amazon. Also, note that the textbook for this course is his intermediate level textbook titled *Microeconomics and Behavior*, not his introductory textbook. Two copies of this textbook are also on reserve at the fine arts library.

In summary:

The required textbook for the course is:

Frank, R. *Microeconomics and Behavior*, McGraw-Hill/Irwin, either the 8th or 9th edition is fine.

Additional readings will be posted on the course blackboard website.

Course Requirements and Evaluation:

Attendance: Attendance is required, and you must be in class when it begins. If you must miss class, please let me know.

Problem Sets – 20%

Problem sets will be assigned roughly every other week. There will be between 5 and 7 problem sets this semester. You are welcome to work in study groups (no larger than 4 or 5 people) on the problem sets, and you will always have at least 1 week to complete the assignment. Problem sets are always due at the beginning of class on their due date.

Two short article analyses- 15% each.

First analysis is due on November 2

Brief Description: In this first writing assignment you will pick a recent article from a major newspaper that deals with a policy-oriented microeconomic topic. Write 1 or 2 pages explaining the economic content of the article. Your goal is to explain the economics “behind” the article. Many articles that have a lot of economic content will not mention the terms or models we discuss in class. They simply describe what is happening in the world. Your job is to use the terms and models from class to offer a deeper understanding of the news article. Additional guidelines for this assignment will be posted on blackboard.

Second analysis due on the last day of class

Brief Description: In this assignment you will find an article from any issue of the Journal of Economic Perspectives (or comparable academic journal) on a topic of interest to you. You will write a one or two-page précis of the key economic issues and/or the policy relevance of the economic thinking in the article.

The purpose of this assignment is to learn how to distill current academic research (that is often quite technical and full of academic jargon) into language that makes it suitable to be shared with a broader audience. This is a skill you will need to write the literature review that is often the first chapter of the thesis or professional report required for your degree. More than that, economic analysis will be important in much of your work but many of your clients, readers and colleagues will not be economists. An ability to translate economic research into everyday language will be very useful. Additional guidelines for this assignment will be posted on blackboard later in the semester.

Midterm – Will be posted to blackboard on Thursday, October 19 and will be due by the beginning of class on Tuesday October 24. – 25%

Final Exam – The final exam will be posted to blackboard on the last day of class (November 30) and will be due on Friday, December 8 no later than 4:30 pm. -25%

Both exams will be take-home. Please be sure you fully understand the code of academic integrity with regard to take-home exams.

In addition, extra credit will be given to students who contribute thoughtful and relevant comments in class.

Academic Integrity

Each student in this course is expected to abide by the Cornell University Code of Academic Integrity. Any work submitted by a student in this course for academic credit will be the student's own work, except for group work clearly labeled as such on the course assignments. In this course, only problem sets can be done as group work, but even in this situation, every student in a group is expected to have answered each question. A failure to do so is considered a violation of academic integrity.

You are responsible for understanding and adhering to Cornell's Code of Academic Integrity. Since this course uses take-home examinations you are especially obliged to understand fully that "between the time a take-home exam is distributed and the time it is submitted by the student for grading, the student may not consult with any persons other than the course professor regarding the exam."

The full text of the Cornell code of academic integrity may be found at:

<http://cuinfo.cornell.edu/Academic/AIC.html>

It has come to my attention that some websites post old versions of faculty problem sets—including some of mine. Posting of these materials is a violation of my copyright. Moreover, I consider student use of materials from my course that are posted on these websites or that have been received from students in previous semesters to be a violation of academic integrity.

Accommodations for students with disabilities

In compliance with the Cornell University policy and equal access laws, I am available to discuss appropriate academic accommodations that may be required for students with disabilities. Requests for academic accommodations are to be made during the first three weeks of the semester, except for unusual circumstances, so arrangements can be made.

Course Schedule:

August 22-September 5: Introduction and the Core Microeconomic Concepts: Supply and Demand and Elasticities

Frank: Chapters 1, 2 and pgs. 109-126 of chapter 4. The page numbers are the same for both the 8th and 9th editions.

Nechyba, T.J. chapter 19 "Distortionary Taxes and Subsidies" in *Microeconomics: An Intuitive Approach*.

September 7-19: Consumer Choice Theory

Frank: Chapters 3, 4 and 5

Nechyba, T.J.: chapter 4 and 5 (this is some additional reading on indifference curves)

September 21- 28: Behavioral Economics

Frank: Chapter 7 if using 9th edition or Chapter 8 if using 8th edition

Kahneman, Daniel (2011) "Prospect Theory" chapter 26 from his book *Thinking, Fast and Slow*.

Madrian, Brigitte (2014) "Applying Insights from Behavioral Economics to Policy Design" *Annual Review of Economics* 6: 663-688.

Optional:

Mullainathan, Sendhil (2009), "Developmental Economics through the Lens of Psychology."

Congdon, W., J. Kling and S. Mullainathan (2009) “Behavioral Economics and Tax Policy.” (Optional: Their complete book *Policy and Choice: Public Finance through the Lens of Behavioral Economics* is available as a free download at this URL:

<http://www.brookings.edu/press/Books/2011/policyandchoice.aspx>)

Barr, M., S. Mullainathan and E. Shafir (2008), “Behaviorally Informed Financial Services Regulation.”

October 3-October 17: Producer Theory

Frank: Chapters 8, 9, 14 and 15 if using 9th edition or Chapters 9, 10, 14 and 15 if using 8th edition

Roberts, John, ch. 3 “The Nature and Purpose of the Firm” of *The Modern Firm*

Midterm 1 (take home exam) posted on October 19

October 19-26: The Performance of Competitive Markets: Efficiency, Equity and Welfare Economics

Frank:

9th edition: Chapter 10 and the sections of chapter 18 on income distribution (pages 604-614)

8th edition: Chapter 11 and the sections of chapter 17 on income distribution (pages 582-591).

Freeman, Richard B. “Distribution Matters” chapter 3 of *America Works: The Exceptional U.S. Labor Market*.

October 31-November 7: Imperfect Competition: Monopolies, Oligopolies, Monopolistic Competition and an Introduction to Game Theory.

Frank: 9th edition: Chapters 11, 12, and 13 or 8th edition: Chapters 7, 12 and 13.

Baker, Dean (2004), “Financing Drug Research: What are the Issues?” CEPR Issue Brief.
Dixit, Avinash and Susan Skeath, “Real World Dilemmas” pages 274-279 of *Games of Strategy*.

November 9-16: Performance and Regulation of Imperfect Markets: Externalities

Frank: Chapter 16

Bartik, Timothy, “The Market Failure Approach to Regional Economic Development Policy.” *Economic Development Quarterly*, 4(4): 361-370.

November 21-28: Performance and Regulation of Imperfect Markets: Public Goods

Frank: Chapter 18 in 9th edition and chapter 17 in 8th edition.

November 30: Performance and Regulation of Imperfect Markets: Imperfect Information and Decision-making under Uncertainty (time permitting).

Frank: Chapter 6