CRP 5122: Intermediate Microeconomics for Public Affairs
Fall 2014

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blackboard site: blackboard.cornell.edu.

My Office Hours: Mondays 12:30-2:00 and Fridays 10:30-12:00 and by appointment in my 212 W. Sibley office.

I will also be available directly after class on Tuesdays and Thursdays from 10-10:30 in the CIPA seminar room on the second floor of Caldwell.

In addition, Dafeng Xu (dx42) and Kevin Meindl (km623) will serve as teaching assistants for this course. The times and locations for their office hours will be posted on the course blackboard site by the second week.

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 Core Foundation Course in the CIPA program for the Economic Analysis and Public Finance foundation area.

Comparable courses: Students who have taken another intermediate level microeconomics course at Cornell should not take 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. For that reason, I have assigned Robert Frank’s intermediate microeconomics textbook Microeconomics and Behavior as the required primary text for the course, and, in addition, I have placed on reserve in the Fine Arts Library in Sibley Hall a couple of copies of Microeconomics for Public Decisions by Anne Steinemann, William Apgar and J. James Brown (SAB) as an optional textbook. The economic analysis in SAB is too introductory for this course but some of the policy examples are nice.

The level at which the economics in this course is taught will match closely the textbook authored by Cornell Professor Robert Frank. I strongly encourage everyone to buy a copy of the Frank textbook. The most recent edition is not necessary. You may be able to buy a used older edition for a much lower
price. Also, note that this is his *intermediate* level textbook, 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 7th or 8th edition is fine.

**Optional** textbook (available on reserve in the Fine Arts Library):
Since the Steinnemann, Apgar and Brown text has a more basic treatment of the material than the Frank text it might be a good place to start for those who have never taken an economics course before.

Additional readings will be posted on the course blackboard website.

**Course Requirements and Evaluation:**

**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 people) on the problem set, and you will always have at least 1 week to complete the assignment.

**Two short article analyses- 15% each.**
- **First analysis** is due on October 30
  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 16 and will be due by the beginning of class on Tuesday October 21. – 25%

**Final Exam** – The final exam will be posted to blackboard on the last day of class (December 4) and will be due on Friday, December 12 no later than 4:30 pm. -25%
Both exams will be take-home. Please be sure you 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.

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](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 distributed to 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 26-September 9:** 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.


Optional:
SAB: Chapters 1, 2 and 3

**September 11-23:** **Consumer Choice Theory**

Frank: Chapter 3, 4 and 5

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

Optional:
SAB: Chapter 4

**September 25- October 2:** **Behavioral Economics**

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


Optional:


**October 7-October 21: 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*

Optional:
SAB: Chapter 5

**Midterm 1 (take home exam)**

**October 23-30: 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).


**November 4-November 11: Imperfect Competition:** Monopolies, Oligopolies, Monopolistic Competition and an Introduction to Game Theory.
Dixit, Avinash and Susan Skeath, “Real World Dilemmas” pages 274-279 of *Games of Strategy.*

Optional:
SAB: Chapter 7 and 8

**November 13-20: Performance and Regulation of Imperfect Markets:** *Externalities*
Frank: Chapter 16
November 25-December 2: Performance and Regulation of Imperfect Markets: Public Goods and a brief overview of the economics of taxation and public goods service delivery in a fiscal federalist system.


Optional:
SAB: Chapter 10

December 4: Performance and Regulation of Imperfect Markets: Imperfect Information and Decision-making under Uncertainty (time permitting).
Frank: Chapter 6

Optional:
SAB: Chapter 11