

## Course Syllabus: PUAD-670-001 Economics for Policy Analysis, Spring 2012

Time and Location: Tuesdays from 5:30 – 8:00, Ward 103

\*We will take a 10 to 15 minute break at approximately 6:45 p.m. each class.

Professor: Seth Gershenson

- Email: gershens@american.edu
- Office: Ward 339
- My office hours: Tuesdays 3:00 – 5:00 p.m., and by appointment
- Tutor Availability (in Ward 307):
  - Monday: 2:30-7:30pm | Liz Crowe
  - Tuesday: 3:30-5:30pm | Mike Hayes
  - Wednesday: 2:30-7:30pm | Andrew Brannegan
  - Thursday: 2:30-5:30pm | Mike Hayes
- Course website: <http://blackboard.american.edu>
  - All course material will be posted on blackboard.

This course covers microeconomic tools for policy analysts, including resource scarcity, opportunity cost, theory of the consumer, theory of the firm, consumer and producer surplus, market equilibrium, allocative and productive efficiency, welfare economics, market failure, intended and unintended consequences of policy interventions, efficiency versus equity, and cost-benefit analysis.

### Required Text

**Microeconomics and Behavior**, 8<sup>th</sup> Edition, by Robert H. Frank

ISBN-10: 0073375942

ISBN-13: 978-0073375946

### Grading Scale

- What follows is a “worst case” scenario (from the students’ perspective). In other words, I reserve the right to adjust the following scale in your favor but will never make it more difficult to obtain a given grade.
  - A ( $\geq 93$ ), A- (90 to 92)
  - B+ (87 to 89), B (83 to 86), B- (80 to 82)
  - C+ (77 to 79), C (73 to 76), C- (70 to 72)
  - D (60 to 69), F ( $< 60$ )
- I will always round up to whole numbers (i.e., 92.5 becomes a 93; a 92.4 does not).
- There is no extra credit

### Grading

3 Problem sets (10% each)

2 Midterm exams (20% each)

Final exam (30%)

## Important Dates

1/17: First Class  
2/7: Problem set 1 due  
2/14: Midterm 1  
3/13: No Class (Spring Break)  
3/20: Problem set 2 due  
3/27: Midterm 2  
4/24: Problem set 3 due  
5/1: No Class (Finals Study Day)  
5/8: Final Exam

## Course Outline

1. Introduction (2 class periods)
  - a. What is microeconomics?
  - b. What does it mean to “think like an economist?”
  - c. Cost-benefit analysis (Chapter 1)
  - d. Supply & Demand (Chapter 2)
  - e. Economic surplus (page 144)
  - f. Preview potential problems / complications
2. Consumer Choice (4 class periods)
  - a. Consumers’ budget constraints and preferences (Chapter 3)
  - b. Price and income changes (Chapter 4)
  - c. Policy-relevant examples and applications (Chapter 5)
  - d. Labor markets (Chapter 14)
3. Potential Problems (3 or 4 class periods)
  - a. Imperfect information, risk, and uncertainty (Chapter 6)
  - b. Irrational behavior & Behavioral economics (Chapter 8)
  - c. Externalities (Chapter 16)
  - d. Public goods (Chapter 17)
4. The Firm (4 class periods)
  - a. Perfect competition (Chapter 11)
  - b. Monopoly (Chapter 12)
  - c. Imperfect competition & Game Theory (Chapter 13)
  - d. Capital markets (Chapter 15)

## Miscellaneous

- Information for students with disabilities is available here <http://american.edu/ocl/dss/>. I am happy to accommodate requests, but I must be notified during the first week of class of any necessary special accommodations (e.g., extra exam time).
- Cheating on exams is not allowed. If I suspect a student of cheating on an exam I will either ask the student to retake the exam, or in an egregious case turn things over to the Dean’s office. For details on the Academic Integrity Code and the corresponding administrative procedures, see <http://www.american.edu/provost/registrar/regulations/reg80.cfm>. If you’d like to see a definition of cheating, see point 3 of the AU academic integrity code:

- *3. Dishonesty in Examinations (In Class or Take Home)*  
*Dishonesty or cheating in examinations is the use of inappropriate or unauthorized materials, information, or study aids in a test. Unless the instructor directs otherwise, an examination is assumed to be solely a student's own work. No communication is allowed among students either through voice, written, electronic, or any other form of transmission, nor are students permitted to consult books, papers, study aids or notes without explicit permission. Dishonesty in examination includes but is not confined to copying from another's paper, giving or receiving unauthorized assistance, obtaining unauthorized advance knowledge of questions on an examination, and using mechanical or marking devices or procedures to achieve false scores on machine-graded examinations. Specific policies regarding examinations may vary with individual professors.*

**Highly recommended, but not required, “beach reading” (in no particular order):**

- Introduction to Public Policy
  - Charles Wheelan
  - W. W. Norton & Company (2010)
- Predictably Irrational
  - Dan Ariely
  - Harper (2010 revised edition)
- Nudge: Improving Decisions about Health, Wealth, and Happiness
  - Richard H. Thaler and Cass R. Sunstein
  - New Haven: Yale University Press, 2008
- The Art of Strategy: A Game Theorist's Guide to Success in Business and Life
  - Dixit & Nalebluff
  - W. W. Norton & Company (2010)
- Darwin Economy
  - Robert Frank (the author of our textbook)
  - Princeton Univ. Press, 2011
- Freakonomics (there is also a sequel, Superfreakonomics, and a movie)
  - Steve Levitt
  - Harper Perennial, 2009 (paperback)
- The Tipping Point
  - Malcolm Gladwell (he has several other worthwhile books too)
  - Back Bay Books, 2002
- Foiled by Randomness (less of a beach read than the others, but very good)
  - Nassim Nicholas Taleb
  - Random House, 2008
- The Drunkard's Walk: How randomness rules our lives
  - Leonard Mlodinow
  - Vintage, 2009
- *The Economist*
  - Weekly magazine (much better than *Time* or *Newsweek* in my opinion)
  - Excellent way to keep up with U.S. and World news