
SCHOOL OF PUBLIC POLICY
UNIVERSITY OF MARYLAND

PUAF 640: Microeconomics and Policy Analysis
Fall 2005: Section 0101

Lectures: Tuesdays and Thursdays 10:50 a.m. – 12:05 p.m. in VMH 1207
Discussion Session: Tuesdays 7:00 – 9:30 p.m. in VMH 1207

Instructor: **Prof. Matthias Ruth**
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Office Hours:
Tuesday 9:30 – 10:30 a.m.
Thursday 9:30 – 10:30 a.m.
and by appointment

Course web Site: <http://www.wam.umd.edu/~soumya/Courses/PUAF640F2005.html>

Course Description:

A large number of interactions among people, institutions and the environment are mitigated through the market place. Transactions on labor markets determine, for example, who works for whom and at what wage or salary level. Interactions among firms involve decisions about purchases and sales of raw materials and intermediate products. Use of materials and energy, and emissions of waste products are increasingly governed by market-based policy instruments such as energy taxes and emissions permits. Investment decisions by households, firms and government are influenced by financial markets. Interactions among households and firms involve labor and product markets.

Many of these interactions are interdependent. The discipline of microeconomics provides concepts and tools to understand and model economic decisions making by households, firms and institutions, and their interdependencies. This course uses those concepts and tools to understand and inform policy choices.

Course Objectives:

Throughout this course you will

- Learn the concepts and tools of microeconomic analysis;
- Use microeconomics to elucidate past and current policy choices;
- Be sensitized to the underlying assumptions of applied microeconomic analyses and potential limitations and thus
- Develop the ability to critically evaluate policy debates and effectively contribute to decision making.

Course Requirements:

You are *required* to contribute to class discussions. A set of exercises will help you to apply the concepts and tools taught in class. Your performance in the course will be evaluated as follows:

	<i>Due Dates</i>	<i>Percent of Grade</i>
Exercises	TBA	20%
Midterm Exam I	Sept. 29	20%
Midterm Exam II	Nov. 10	20%
Final Exam	TBA	30%
Class Participation	always	10%

Late submissions of exercises and take-home exams, without valid excuse, will be penalized by a full grade per day. Note also, that you are required to abide by the Code of Academic Integrity available on the web at <http://www.inform.umd.edu/CampusInfo/Departments/JPO>.

Prerequisites:

This course is designed for graduate students interested in economics and policy, business, environment and conservation, and related disciplines that require knowledge about the economic base of decision making. *Solid skills in college-level algebra are imperative.*

Course Text and Materials:

1. Michael L. Katz and Harvey S. Rose. 1998. *Microeconomics*, 3rd Edition, McGraw-Hill/Irwin, Boston. (ISBN: 0256171769)
2. Robert Heilbroner and Lester Thurow. 2002. *Economics Explained*, Touchstone, New York. (ISBN: 0684846411)
3. Various articles and other required materials will be assigned during the semester. Assigned readings from *Economica* and *Scientific American* are available at the library in hard copy. Papers in the *Journal of Economic Perspectives* are available in electronic form at <http://www.jstor.org/journals/08953309.html> and directly through the UMD Electronic Journals library system. Additional readings will be handed out during the semester.

Course Organization:

Lect.	Date	Topic and Readings
1	Sept. 1	<u>Introduction; The “Evolution” of Microeconomics</u> Heilbroner and Thurow Chpt. 1 Hamilton, L.J. 1992. Economists as Policy Advisers, <i>Journal of Economic Perspectives</i> , Vol. 6, No. 3, pp. 61 – 64. Eizenstad, S.E. 1992. Economists and White House Decisions, <i>Journal of Economic Perspectives</i> , Vol. 6, No. 3, pp. 65 – 71. Weinstein, M. 1992. Economists and the Media, <i>Journal of Economic Perspectives</i> , Vol. 6, No. 3, pp. 73 – 77. Norwood, J.L. 1990. Distinguished Lecture on Economics in Government: Data Quality and Public Policy, <i>Journal of Economic Perspectives</i> , Vol. 4, No. 2, pp. 3 - 12.
2	Sept. 6	<u>Basic Models of the Economy</u> Heilbroner and Thurow Chpts. 2 - 4
3	8	Heilbroner and Thurow Chpts. 5 - 9
4	13	<u>Market Mechanisms</u> Heilbroner and Thurow Chpts. 12 – 13 Katz and Rosen Chpt. 1 Radford, R.A. 1945. The Economic Organization of a P.O.W. Camp, <i>Economica</i> , Vol. 12, pp. 189 – 201.
5	15	<u>Consumer Choice</u> Katz and Rosen Chpt. 2
6	20	<u>Comparative Statics and Demand</u> Katz and Rosen Chpt. 3
7	22	<u>Price Changes and Consumer Welfare</u> Katz and Rosen Chpt. 4
8	27	<u>Households as Suppliers</u> Katz and Rosen Chpt. 5 Brown, C. 1988. Minimum Wage Laws: Are They Overrated? <i>Journal of Economic Perspectives</i> , Vol. 2, No. 3, pp. 133 – 145.
9	29	<i>Midterm I</i>

Lect.	Date	Topic and Readings
10	Oct. 4	<u>Choice Under Uncertainty</u> Katz and Rosen Chpt. 6
11	6	<u>Firm Behavior</u> Katz and Rosen Chpt. 7
12	11	<u>Technology and Production</u> Katz and Rosen Chpt. 8
13	13	Arthur, B. 1990. Positive Feedbacks in the Economy, <i>Scientific American</i> , Feb. pp. 92-99.
14-15	18-20	<u>Production Cost and Technological Change</u> Katz and Rosen Chpt. 9
16	25	<u>The Price-taking Firm</u> Katz and Rosen Chpt. 10
17	27	<u>Equilibrium in Competitive Markets</u> Katz and Rosen Chpt. 11
18	Nov. 1	<u>General Equilibrium</u> Katz and Rosen Chpt. 12
19	3	<u>Review and Discussion</u>
20	8	<u>Location Decisions</u> TBA
21	10	<i>Midterm II</i>
22, 23	15-17	<u>Monopoly and Price-setting</u> Katz and Rosen Chpt. 13 Katz and Rosen Chpt. 14
24	22	<u>Oligopoly and Strategic Behavior</u> Katz and Rosen Chpt. 15
25	29	<u>Game Theory</u> Katz and Rosen Chpt. 16
26	Dec. 1	<u>Asymmetric Information</u> Katz and Rosen Chpt. 17
27-28	6-8	<u>Externalities and Public Goods</u> Katz and Rosen Chpt. 18 Hahn, R.W. 1989. Economic Prescriptions for Environmental Problems: How the Patient Followed the Doctor's Orders, <i>Journal of Economic Perspectives</i> , Vol. 3, No. 2, pp. 95 – 114.
29	13	<u>Final Review</u>