



Robert M. La Follette
School of Public Affairs
UNIVERSITY OF WISCONSIN-MADISON

Public Affairs 880: Microeconomic Policy Analysis

Fall 2019

Instructor: Lindsay Jacobs
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Office Hours: W 2:15–3:30pm, 309 La Follette

Class Hours and Location:
MW 11:00am–12:15pm, 104 Van Hise Hall

Teaching Assistant: Eduardo Cenci
E-mail: ecenci@wisc.edu
TA Office Hours: T 2:00–3:30pm and W 12:30–2:00pm, Taylor Hall 115 (Parsons-Penn Room)

TA Discussion Sections:
W 4:35–5:25pm, L159 Education Building
R 9:55–10:45am, 6101 Social Sciences
R 1:20–2:10pm, L155 Education Building

Course Description

In this course we will study the nature of decision-making by consumers, firms, and governments, and the effect of these decisions on the allocation of resources. The first third of the course studies equilibrium concepts, the decision-making process of consumers and producers, trade and welfare, and the implications of certain government interventions in a benchmark competitive market. From there we will move deeper into general equilibrium concepts as well as non-competitive markets, externalities and what characterizes public goods, and an introduction to game theory. In the final third of the course, we will learn about capital markets, uncertainty, and finish with an introduction to insurance and information economics.

As a core MPA and MIPA course, we will develop competence in important analytical tools and critical thinking skills from the field of economics for the study of public affairs. There will be an emphasis on applying these tools and skills to evaluate existing policy and also to consider the implications of hypothetical policy alternatives.

Credit Hours

This course counts for **3 credits**. The class meets for two 75-minute periods each week over the semester and carries the expectation that students will work on course learning activities (reading, writing, problem sets, studying, etc) for about 3 hours out of classroom for every class period. The syllabus includes more information about meeting times and expectations for student work.

Class Structure

The class will meet on Mondays and Wednesdays and will be primarily in lecture format. Questions and comments, however, are encouraged. The Friday discussion sections will offer additional opportunities for questions and discussion. The lectures will closely follow the material presented in the textbook, and lecture slides will be posted to Canvas.

Course Canvas Site

I will post problem sets, lecture slides, and supplemental materials to the course Canvas website, among other things. The address is <https://canvas.wisc.edu/courses/164875>.

Required Materials

- Textbook: Jeffrey M. Perloff, *Microeconomics*, 8th Ed. Publisher: Pearson, 2017. As an alternative, the 7th Ed. of the text is suitable.

Assessments and Grading

The typical UW–Madison grading scale will be used. I reserve the right to curve the scale dependent on overall class scores at the end of the semester. Any curve will only ever make it easier to obtain a certain letter grade. The grade will count the assessments using the following proportions:

- **35% Midterm Exams**
There will be two (2) in-class midterm exams, which make up 35% of the final course grade in total. The higher score of the two midterms will count towards 25% while the lower will count towards 10%.
- **35% Final Exam**
The final exam (location TBD) will make up 35% of the final grade. It will cover material from the entire semester, with more emphasis being placed on the final third (post-Midterm 2) part of the course.
- **10% Problem Sets**
There will be seven (7) problem sets due throughout the semester, counting towards 10% of the final grade.
- **10% Policy Application**
After the first Midterm, you will have a chance to apply course and supplemental materials

to a relevant topic of your choice through a two-page application of the course to a policy issue.

- **10% Attendance & Participation**

Regular attendance at the two weekly lectures is expected. Attendance at discussion sections will also count towards the Attendance & Participation portion of the final grade.

Course Policies

Electronics in Class

For those who plan to record notes electronically, it is fine to use computers in class. However, please refrain from using phones or computers for anything other than activities related to class and be mindful of potential distractions for people seated nearby.

Communication with Instructor

In addition to office hours, I will typically be available in the classroom before the class lectures. This would be a good time especially to discuss material, ask questions about class logistics, etc. so that I can share responses with the rest of the class during lecture. E-mail communication is best reserved for timely or highly person-specific matters that cannot be addressed during office hours.

Problem Sets and Policy Application

Problem sets. Working on these with others in the course is ***highly encouraged***, however, each student will need to turn in his or her own work. The problem sets will be scored $\checkmark+$, \checkmark , and $\checkmark-$. We will be unable to accept late assignments for credit. Problem sets will be posted on Canvas the lecture day on which the material on the problem set first occurs. They will be due at the beginning of discussion sections on the Fridays indicated below and the solutions will be reviewed during the sections.

Policy Application. For this assignment, you will present the application of economic ideas from the class and objectively discuss possible policy implications for various parties. The assignment will be submitted to Canvas (in PDF format). The final date to post will be Friday of the last week of classes, but earlier submissions are encouraged.

Concerns About the Course

If you have a concern about the course, please bring it to the attention of the instructor or TA. For questions or concerns about the grade you receive on a problem or an exam, it is best to first talk to your TA. If you believe you still have a legitimate concern that has not been addressed, please provide Professor Jacobs with a written explanation of your concern for review.

University Policies

Academic Integrity and Honesty

University statement: *By enrolling in this course, each student assumes the responsibilities of an active participant in UW-Madison's community of scholars in which everyone's academic work and behavior are held to the highest academic integrity standards. Academic misconduct compromises the integrity of the university. Cheating, fabrication, plagiarism, unauthorized collaboration, and helping others commit these acts are examples of academic misconduct, which can result in disciplinary action. This includes but is not limited to failure on the assignment/course, disciplinary probation, or suspension. Substantial or repeated cases of misconduct will be forwarded to the Office of Student Conduct & Community Standards for additional review.*

For more information, refer to <https://conduct.students.wisc.edu/academic-integrity/>.

Accommodations for Disabilities

McBurney Disability Resource Center statement: *The University of Wisconsin-Madison supports the right of all enrolled students to a full and equal educational opportunity. The Americans with Disabilities Act (ADA), Wisconsin State Statute (36.12), and UW-Madison policy (Faculty Document 1071) require that students with disabilities be reasonably accommodated in instruction and campus life. Reasonable accommodations for students with disabilities is a shared faculty and student responsibility. Students are expected to inform faculty [me] of their need for instructional accommodations by the end of the third week of the semester, or as soon as possible after a disability has been incurred or recognized. Faculty [I], will work either directly with the student [you] or in coordination with the McBurney Center to identify and provide reasonable instructional accommodations. Disability information, including instructional accommodations as part of a student's educational record, is confidential and protected under FERPA.*

Please find more information and resources at: <http://mcburney.wisc.edu>.

Schedule and Outline of Weekly Topics

More details and readings are posted on the course [Canvas site](#).

Week 1, 09/02–09/06: *Introduction (Chapter 1)*

- tradeoffs and opportunity costs

Week 2, 09/09–09/13: *Supply, Demand, and Applications (Chapters 2 and 3)*

- marginal analysis, equilibrium, elasticity
- market interventions: quotas, price floors/ceilings
- effects of taxes and subsidies
- **PS 1 Due** (by Friday to TA)

Week 3, 09/16–09/20: *Consumer Choice and Applications (Chapters 4 and 5)*

- utility and preferences
- indifference curves and budget constraints
- deriving demand curves

Week 4, 09/23–09/27: *Firms, Production, and Costs (Chapters 6 and 7)*

- production in the short and long run
- isoquants and isocosts lines
- deriving supply curves
- **PS 2 Due** (by Friday to TA)

Week 5, 09/30–10/04: Midterm 1

- Monday: Review of concepts and return PS 2
- Wednesday: **Midterm 1** (during class)
- *No discussion sections this week.*

Week 6, 10/07–10/11: *Competitive Firms, Markets, and Applications (Chapters 8 and 9)*

- perfect competition and profit maximization
- consumer and producer surplus
- trade and trade policy

Week 7, 10/14–10/18: *Welfare, Externalities, and Public Goods (Chapters 10 and 18)*

- general equilibrium and economic welfare
- positive and negative externalities
- public goods
- **PS 3 Due** (by Friday to TA)

Week 8, 10/21–10/25: *Monopoly (Chapters 11 and 15.2)*

- market power and pricing
- welfare effects
- unions and bargaining
- networks

Week 9, 10/28–11/01: *Oligopoly and Monopolistic Competition (Chapter 13)*

- market structures and cartels
- oligopolies
- monopolistic competition
- **PS 4 Due** (by Friday to TA)

Week 10, 11/04–11/08: *Game Theory (Chapter 14)*

- static and repeated games
- auctions
- Wednesday: Review of concepts
- **PS 5 Due** (by Friday to TA)

Week 11, 11/11–11/15: **Midterm 2** and *Interest Rates and Capital Markets (Chapter 16)*

- Monday: **Midterm 2** (during class)
- Wednesday: Interest rates and time preferences, bonds

Week 12, 11/18–11/22: *Uncertainty (Chapter 17)*

- attitudes towards risk
- expected utility
- **PS 6 Due** (by Friday to TA)

Week 13, 11/25–11/29: *Asymmetric Information (Chapter 19)*

- adverse selection
- signaling and higher education
- No class Wednesday or discussion sections this week. Happy Thanksgiving!

Week 14, 12/02–12/06: *Contracts and Moral Hazard (Chapter 20)*

- contracts and insurance
- principal-agent problem
- **PS 7 Due** (by Friday to TA)

Week 15, 12/09–12/13: *Wrapping Up*

- applying economics to policy
- Wednesday: Review of concepts
- **Policy Application Due** (PDF version posted to Canvas)

Week 16, 12/16–12/20: *Final*

- **Final Exam:** Monday, 12/16, 10:05am–12:05pm