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PAUS 8141, Section 005  
Tuesdays 4:30-7:00pm  
Classroom South 505  
Spring 2009

## **MICROECONOMICS FOR PUBLIC POLICY**

### **Course Overview:**

The purpose of this course is to provide a framework of basic microeconomic principles—supply, demand and market dynamics—that can be applied to sound policy analysis. It also provides extensive coverage of topics (such as education, health care, social security) that concern public sector decisionmaking.

By the end of the course we will have addressed the following fundamental questions of public economics: What market failures cause government to intervene in the economy? How does the structure of government expenditures and taxation effect equity and efficiency? What will be the effect of government action on the distribution of income?

### **Course Materials:**

TEXT: *Public Finance and Public Policy*, 2nd edition, Jonathan Gruber, Worth Publishers, 2007.

Other required readings will be assigned from academic journals and current periodicals. These other required class readings will be available on the class website, which you can access with your username and your password at [gsu.view.usg.edu](http://gsu.view.usg.edu). On the class website you can also monitor your grades, check the class calendar, easily communicate with me and your classmates, and find many useful materials throughout the semester. Announcements and assignments will appear throughout the semester; please check the WebCT site a day or two before each weekly class meeting to view the upcoming class outline and the latest updates.

### **Course Prerequisites:**

There is no official prerequisite for this class. However, students will need to be able to do arithmetic calculations and interpret tables and graphs. A very basic math review is available on the class website. If you have any concerns about your math preparedness, please discuss these with me during the first week of classes. A previous introduction to microeconomics will serve you well. If you find yourself getting lost as we review the principles of microeconomics in the first couple of classes, please see me for referral to some easy references; the text moves through these concepts very quickly in Chapter 2.

### **Course Learning Outcomes:**

The main goal of the course is that students will understand the basic tools of government intervention in the economy, including the supply of public goods, subsidy and taxation of the private sector, regulation of markets, and the fostering of property rights and new markets. Specifically:

1. The student should be able to apply basic theoretical and empirical tools of economic analysis to public policy issues.
2. The student should be able to define and understand the reasons for “market failure” and the basic theorems of “welfare economics”.
3. The student should be able to define and understand a “public good”, and to evaluate public and private institutions that address the public goods problem.
4. The student should be able to define and understand “externalities”, and to evaluate government policies to address problems arising from production and consumption externalities.
5. The student should be able to define and understand “social insurance” programs, and to evaluate government social insurance programs.
6. The student should be able to define and understand the effects of public expenditure programs on the distribution of income (e.g., the theory of “expenditure incidence”).
7. The student should be able to define and understand the effects of taxes on the distribution of income (e.g., the theory of “tax incidence”).
8. The student should be able to define and understand the effects of taxes on the efficiency of resource allocation (e.g., the theory of “excess burden”).
9. The student should be able to define and understand expected individual and firm behavioral responses to taxes.
10. The student should be able to define and understand different tax reform proposals.

### **Course Requirements and Grading:**

There will be three examinations--two midterms and a cumulative final. The midterm exams are scheduled for February 10 and March 31; each will comprise 20% of your final grade. The final is scheduled for April 28, and will be 30% of your final grade. Please note that there will be **NO MAKEUP EXAMINATIONS**. With an excused absence, the weight of a missed exam may be applied to the final. (i.e., the weight of the final examination will be increased to 50% of the final grade.) If the student misses the final examination, the student will receive a 0 on the final examination.

There will also be three problem sets assigned, each worth 10% of the final grade. Due dates for the problem sets will be announced in class. Problem sets will be due at the start of class on the specified due date. **ABSOLUTELY NO LATE PROBLEM SETS WILL BE ACCEPTED**. If a student misses a problem set, the student will receive a 0 on that assignment. Students are encouraged to collaborate on the problem sets, but each student will be expected to submit an independently authored set of answers.

Class lecture material and discussions are integral to learning in this course, and student attendance is mandatory. It is recognized that students may be unable to attend class as a result of observance of recognized religious holidays of the student’s faith, serious illness, or family

emergencies. In such cases, students are responsible for the missed material, and are encouraged to obtain class notes from fellow students. Students are also expected to actively participate in class discussions, and should come to each class prepared. Students will be asked to choose a seat that will become permanent for the rest of the semester. This will permit more in-class interaction than is usual for a class of this size. Attendance and class participation will be the deciding factor in determining any borderline final grades.

The final grade will be calculated as follows, with consideration (as indicated above) for preparation and participation:

A+ = 97.00% and ↑	
A = 93.00% - 96.99%	C+ = 77.00% - 79.99%
A- = 90.00% - 92.99%	C = 70.00% - 76.99%
B+ = 87.0% - 89.99%	D = 60.00%-69.99%
B = 83.00% - 86.99%	F = 59.99% and ↓
B- = 80.00% - 82.99%	

**Course Policies:**

1. If you require special accommodations for exams (e.g., “time and a half”), you **MUST** provide documentation from [GSU Disability Services](#) and make arrangements with me **PRIOR** to the exam dates.
2. All students are responsible for knowing and adhering to [GSU’s Policy on Academic Honesty](#).
3. The University has very specific policies on [Dropping Classes and Voluntary Withdrawal](#) from courses, with possible penalties for withdrawals after the first two weeks of courses. For the only exception to this policy, see the [Hardship Withdrawal](#) information on the Dean of Students web site.
4. This course syllabus provides a general plan for the course; deviations may be necessary.

**Course Outline and Schedule:**

\*\*\* For specific daily assignments refer to the course calendar available on WebCTVista. The required readings here refer only to the course textbook. Other required readings will be taken from journal articles, recent editorials, news articles and commentaries, which will be posted on the class website.

<u>Date</u>	<u>Topic</u>	<u>Readings in Text</u>
January 6	Principles of Microeconomics I	Gruber, Ch. 1
January 13	Principles of Microeconomics II	Gruber, Ch. 2 and 3
January 20	Externalities	Gruber, Ch. 5 and 6
January 27	Public Goods Spillover Benefits of Education	Gruber, Ch. 7 Gruber, Ch. 11 through 11.3

February 3	Returns to Education as a Cost/Benefit Analysis	Gruber, Ch. 11.4-11.6 Gruber, Ch. 8
February 10	<b>MIDTERM EXAMINATION I</b> Social Insurance	Gruber, Ch. 12
February 17	Social Security	Gruber, Ch. 13
February 24	Health Insurance	Gruber, Ch. 15 and 16
March 3	NO CLASS—SPRING BREAK	
March 10	Income Distribution and Welfare Programs	Gruber, Ch. 17
March 17	Employment Policy: Minimum Wages Immigration, and Discrimination	no text assigned; see website
March 24	Taxation in the United States and Around the World The Equity Implications of Taxation	Gruber, Ch. 18 Gruber, Ch. 19
March 31	<b>MIDTERM EXAMINATION II</b> The Equity Implications of Taxation (con't)	
April 7	Tax Inefficiencies and Their Implications	Gruber, Ch. 20
April 14	Disincentives in the Current System and Fundamental Tax Reform	Gruber, 21.1-21.2, 22.1, 23.4 and Ch. 25
April 21	Course Summary	no text assigned; see website
April 28	<b>FINAL EXAMINATION 5:00-7:00pm</b>	