PMAP 8141: Microeconomics for Public Policy - Fall 2017
Andrew Young School of Policy Studies, Georgia State University

I. Administrative Information

Instructor: Janet Porras-Mendoza
Time: Tuesday, 7:15 PM – 9:45 PM
Location: Classroom South 201
Office Hours: Tuesday 4:30-6:30 p.m. or by appointment
Office: AYSPS 548
Email: lporrasmendoza1@gsu.edu

II. Course Objectives

This course provides an analytic foundation for public management and policy analysis based on microeconomic theories. There are several specific goals for students taking this course:
(1) to understand microeconomic concepts involved in public policy and management, and the basic mechanisms in the market economy;
(2) to be able to apply economic reasoning to public policy issues;
(3) to understand different market forms and be able to define market failures: public goods, externalities, and asymmetric information;
(4) to understand various government programs.

III. Textbook

Pindyck, Robert S. and Daniel L. Rubinfeld. 2013. Microeconomics (Eighth edition). Upper Saddle River, NJ: Prentice Hall. (Referred to as P&R) (Older editions of the book are also acceptable, but students will be responsible for checking the updates).

IV. Course Policies:

- **Format:** Class sessions will be a mixture of lectures and discussions. All course materials will be available on iCollege website. Students are expected to read materials before class and to participate actively in class discussions. It is your responsibility to check into iCollege regularly to see if there have been any announcements regarding changes to the course. It is your responsibility to diligently check into the course and to read all announcements.
- **Academic Honesty:** Students are reminded of the University Policy on Academic Honesty, found in section 409 of the Faculty Handbook: [http://www2.gsu.edu/~wwwfhb/fhb.html]. Use of uncited material copied directly from any source, including the Internet, will result in a significant grade reduction or a failing grade on the assignment.
- **Attendance:** Attendance at every class session is mandatory. Unexcused absences will be reflected in the final grade. The same policy applies to arriving late or leaving early. Active participation in class discussions includes coming to class prepared to discuss the week’s reading assignment. GSU class attendance policy suggests a guideline of 15% [2 classes] for determining an excessive level of absence. [http://codeofconduct.gsu.edu/files/2013/03/2013-14-Student-Code-IV.F.-Policy-on-Class-Attendance.pdf]
- **Disability Accommodation:** Students who wish to request accommodation for a disability may do so by registering with the Office of Disability Services. Students may only be accommodated upon issuance by the Office of Disability of a signed Accommodation Plan and are responsible for providing a copy of that plan to instructors of all classes in which accommodations are sought. This plan must be provided to this Instructor prior to the second week of class in order to negotiate the terms of the accommodation.

- **Re-evaluation of your exam:** In the case that you feel that your exam has been graded in error, you must submit your request for a re-grade in writing no more than 2 class periods after the exam has been returned. In the case that an error has been made it will be promptly rectified, however, I do reserve the right to re-grade the entire exam.

- **Withdrawal:** Students wishing to withdraw from the course must officially withdraw prior to the mid-point date of the semester as established by the University in order to avoid being given a grade of WF.

### V. Grading

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<thead>
<tr>
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<th>The point breakdown in this course is as follows:</th>
<th>Grades will be assigned as follows:</th>
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<tbody>
<tr>
<td>Class participation</td>
<td>5%</td>
<td>93-100 A</td>
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<tr>
<td>Online Quizzes</td>
<td>15%</td>
<td>90-92.99 A-</td>
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<tr>
<td>Analysis report (AR)</td>
<td>25%</td>
<td>88-89.99 B+</td>
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<tr>
<td>Midterm exam</td>
<td>25%</td>
<td>83-87.99 B</td>
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<tr>
<td>Microeconomics based policy project</td>
<td>30%</td>
<td>80-82.99 B- &lt;60</td>
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### VI. Tentative Course Schedule (the order in which chapters are covered may vary as needed by the Instructor. The syllabus provides a general plan for the course; deviations may be necessary):

1. **Introduction and course overview** (August 22)
   - P & R Chapter 1-2

2. **Markets and Prices** (August 29)
   - P & R Chapter 1-2

3. **Demand theory I** (September 5)
   - P & R Chapter 3

4. **Demand theory II** (September 12)
   - P & R Chapter 4

5. **Production and Cost Theory** (September 19)
   - P & R Chapter 6 and 7
6. Market efficiency (September 26)
   • P & R Chapter 9

7. MIDTERM EXAM (October 3)

8. Market power I (October 10)
   • P & R Chapter 10

9. Market power II (October 17)
   • P & R Chapter 11

10. Public Goods and Externalities I (October 24)
    • P & R Chapter 18

11. Public Goods and Externalities II (October 31)
    • P & R Chapter 18

12. Asymmetric Information (November 7)
    • P & R Chapter 17

13. Tax incidence (November 14)

14. No classes - Thanksgiving Week (November 21)

15. Policy Project Presentations (November 28)

16. Policy Project Presentations (December 5)

VII. Course grade components:

Online Quizzes (OQ): You will be assigned online quizzes to complete on iCollege. Only the highest score on each quiz will be counted in your overall grade.

Midterm Exam: The exam will be conducted in-class. No make-up exams are permitted. No additional time will be given to those that arrive late.

Analysis report (AR): You will prepare reports of the articles listed in section 6 of this syllabus. The goal is to use the concepts learn in class to analyze the articles. The report will be no longer than 3 typewritten, double-spaced pages, 1 inch margins all around, 12 point Times New Roman font only. Important: Do not use “I” or “I believe” or “I think” or “I would do…” or any
reference to yourself. The reports should be objective analytical assessments. References do not count toward your 3 pages of text and should be included as an extra page.

(Minimum) Structure:
- What is the purpose of the article?
- What are the main theoretical arguments/assumptions?
- What kind of quantitative/qualitative information is used?
- What are the main results and policy implications?
- How would you extend future research based on this article?
- What are the main lessons you got from this article?

Microeconomics based policy project: This assignment is designed to provide an apprenticeship experience of analyzing policy situations using the economic and policy analysis tools. After the MPA/MPP program, students who work in government and non-profit organizations are often required to prepare and present projects of this kind. Thus, this project has three primary objectives:
- Analytically examine different policy situations while paying due attention to the issues of equity, fairness and feasibility.
- Practice working in small groups.
- Practice writing of the policy memorandums and present analysis in a professional way.

This assignment contributes 30 points to the final grade. The points are divided into:
- Class Presentation : 10 points
- Policy Memorandum : 20 points

Dates:
- Policy Project Sign Up : September 5
- Class Presentations : November 28 & December 5
- Final Memo Due : December 5

Structure:
The final memo should include an executive summary, background of the issue, brief analysis, and recommendations. The project does not require collection of primary data but will use information from secondary sources. You have to present the recommendations to the client and submit a 4-6 page double-spaced, 1 inch margins all around, and 12 point Times New Roman font memo (excluding tables, figures, references and appendix).

In the next section, there are open-ended policy problems that require some investigation, and then the analysis has to be communicated to a client. In most of the topics, we can see the application of the economic concepts like supply and demand, price determination, taxes, subsidies, market failures, public goods, externalities, price-controls, information asymmetry etc.

Assignment:
You work in the Public Policy Division of a think tank that advises governments, non-profits and businesses on different issues. This month the Director has assigned your three member team a policy situation and has asked you to submit a policy memorandum and present the findings to
the mentioned client(s). Your policy memorandum should lay out the background of the situation, analyze the issue from an analytical perspective, and provide recommendations.

(1) Film Tax Credits in Georgia
The State of Georgia provides tax credits for the production of films, television series, etc. Such tax credits have been criticized by several experts while others say they are an effective tool for promoting economic development and job creation. Assume that the Governor will be reviewing this program and will make a decision on whether to continue the tax credit or not. Your division has received a request from Georgia Department of Economic Development to analyze this issue and come up with a set of recommendations. In your discussion, you have to include the economic rationale for such tax incentives. Several other states also extend such tax incentives for film producers so you can draw on the experience of other states that offer similar tax incentives.

(2) Tax Incentives on Zero and Low Emission Vehicles in Georgia
In 1998, the State of Georgia adopted three income tax credits for the purchase of low- and zero-emission vehicles that included a credit of $2,500 and $5000, respectively. Owing to this credit, the Atlanta Metropolitan Area became the second largest market in the U.S. for electric vehicle sales. However, the Transportation Funding Act of 2015 eliminated these tax credits. The proponents of these tax incentives have highlighted the environmental and pollution benefits of such tax credits while the critics suggest that such programs are an unnecessary fiscal burden and lead to loss of government revenue from gas tax. Assume that the legislature wants to reconsider these tax credits and asked your division to examine the economic arguments and make recommendations on the continuation of these benefits.

(3) Tax Incentives to Improve Food Access in Baltimore
The Food Deserts are the areas that have limited access to affordable and nutritious food, especially in poorer neighborhoods. In a report to the Congress, the Department of Agriculture highlighted that lack of access to affordable and nutritious foods is a major public health problem that can worsen food insecurity and obesity. Several cities are now trying to improve the food access in low-income communities and several proposals have been discussed. In 2015, Baltimore Mayor Stephanie Rawlings-Blake introduced a proposal to offer 10-year tax breaks to supermarkets in areas with low access to fresh foods. Assume that a review committee has asked you to examine this issue in more detail, focusing on the economic arguments, normative considerations and experience of other local governments.

(4) Charter Schools and Competition in Georgia
One of the key debates in education policy is improving the outcomes of traditional public schools by introducing competition. In the United States, the education reform debate has paid significant attention to Charter schools, but with vastly divided opinions. The supporters argue that charter schools infuse competition in the public sector while the critics argue that charter schools skim good students and adversely affect the resources available to public schools. The education reform in Georgia has emphasized on charter schools and currently the state has 115 charter schools (http://www.publiccharters.org). Assume that the Governor wants to review whether the charter schools based education reforms is the way to go forward. Your division has
been asked to examine the economic arguments and evidence on why charter schools promote competition and propose recommendations based on your analysis.

(5) Patent Protection for HIV drugs
Medecins Sans Frontieres (MSF) is a non-profit organization that extends medical care to people caught in difficult circumstances around the world. The organization argues for affordable access to essential drugs and removing patent protection on certain medicines. In 2013, in a policy brief they highlighted that “the price of first- and second-line antiretrovirals (ARVs) to treat HIV are falling because of increased competition among generic producers, but newer ARVs continue to be priced astronomically high” (http://www.msf.org/article243/generic-competition-pushing-down-hiv-drug-prices-patents-keep-newer-drugs-unaffordable). MSF has asked your division to prepare a memorandum and argue their case in a congressional hearing. In your analysis, you should consider the economic as well as normative arguments for and against the patent protection of HIV and other essential drugs.

(6) Soda Taxes, Negative Externalities and Public Health
In the last few years, there has been substantial increase in the number of jurisdictions that imposed some form of taxes on sugary drinks. Several public health researchers highlight that such policy instruments can be effective in dealing with the public health challenges like obesity. However, it is unlikely that the federal government will be able to take any major step in this direction. Thus, the activists and public health practitioners have approached state and local governments to take initiatives like imposing tax on sugary drinks. In this context, assume that the Governor has asked your division to prepare a memorandum on this issue in the context of Georgia.

(7) Design your own project
If you are interested in working on some other project then follow these steps:
(a) Write a paragraph about the topic, and get it approved from me by September 5.
(b) Your topic should be policy relevant and there should be a potential to apply some microeconomic concept.