

Fall 2007
Government Administration 621
Economic Analysis in the Public Sector

Professor Janice Madden
MW 10:00-11:30
McNeil 103

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Wed 1:30-3:00
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This course covers material essential to the education of M.G.A. students. Regardless of a student's specific interests or areas of specialization, the skills emphasized in this course are a prerequisite to effective administration of programs in the public, private, and not for profit sectors of the economy. The goals are for each student to understand the bases for the economic behavior of consumers and producers in a variety of contexts and situations and to be able to apply this knowledge to public policy questions and to the design and administration of programs in both public and private sectors. Students are expected to master the application of several key principles, including scarcity and trade offs, cost-benefit, comparative advantage, increasing opportunity cost, efficiency, rational spending, market equilibrium, and externalities.

All materials used in the class, in addition to the two textbooks and the optional study guide, which are available from the University Bookstore, are available at the course website, <https://courseweb.library.upenn.edu/>.

The website is a secure site. To access the site, you must use your Penn ID and password. I will be using email occasionally to contact you. The "communication" folder at the course website shows the email address which the registrar has for you and which I will use. It is your responsibility to change your email address if the one listed is not one that you regularly check.

There will be a midterm examination (30% of course grade) on October 22 and a comprehensive final examination (45% of final grade) to be given on December 17. (The final exam time and date are set by the University. Please make note of it as all students must take the exam at that time.) In addition, two "economic naturalist papers," which will be described in more detail during class on September 10, are required: one will be due October 10 (10% of course grade) and the second on December 5 (15% of course grade). There will also be weekly sets of problems assigned each Wednesday and due the following Monday. These problem sets are critical to learning the material in this course. The purpose is not to test your knowledge but to help you learn the material. You are encouraged to work with other students. The problem sets will be evaluated to assist your own learning, but they will not be used to calculate your course grade. **Students who fail to hand in these problems on a timely basis, however, will fail the course. Timely submission of answers to the problem sets is a course requirement.** The Bookstore also offers copies of the *Study Guide* for the main course textbook for those who find it helpful.

There will be no incompletes given in the course. Students who miss either examination will fail unless they have obtained consent prior to their absence.

You should keep up with the course as it progresses. This material is too complicated to master in a short time. See me for help as soon as you have trouble with the material. Drop by for my office hours or telephone to make an appointment at another time. I am here to help you succeed in this course; do not hesitate to seek my help outside class (and inside class).

Class Schedule

Sept.	5	Introduction: How Economists Think
	10	The Economic Naturalist
	12	Comparative Advantage
	17	Specialization
	19	Basics of Demand and Supply
	24	Elasticity
	26	Demand (Benefits)
Oct.	1	Consumer Surplus
	3	Supply (Costs)
	8	Willingness to Pay
	10	Efficiency and Exchange
	15	Fall Break, no class
	17	Review
	22	MIDTERM EXAM in class
	24	Invisible Hand
	29	Monopoly
	31	Game Theory
Nov.	5	Game Theory
	7	Externalities
	12	Information
	14	Labor Markets and Wages
	19	Environment
	21	NO CLASS – Review during reading period will make up this time.
	26	Health
	28	Public Goods
Dec.	3	Taxes
	5	Economic Data and Interpretations
	11	Review (Date can be change if class wants)
	17	FINAL EXAM 9-11:00 AM

On the lighter side:

An economist is someone who solves a problem that you didn't know you had in a way that you don't understand.

A policy analyst is someone unethical enough to be a lawyer, impractical enough to be a theologian, and pedantic enough to be an economist.

"Economics is extremely useful as a form of employment for economists." John Kenneth Galbraith

"In all recorded history there has not been one economist who has had to worry about where the next meal would come from." Peter Drucker

"There are 10¹¹ stars in the galaxy. That used to be a huge number. But it's only a hundred billion. It's less than the national deficit! We used to call them astronomical numbers. Now we should call them economical numbers." Richard Feynman

True story: I was standing with Nobel Laureate Ken Arrow by a bank of elevators on the ground floor of William James Hall at Harvard. Three elevators passed us on our way to the basement. I foolishly said "I wonder why everybody in the basement wants to go upstairs." He responded, almost instantly: "You're confusing supply with demand." Curt Monash

Reading List

Textbook abbreviation:

RHF: Robert H. Frank and Ben S. Bernanke, *Principles of Microeconomics*, 3rd edition, (McGraw-Hill Irwin, 2007).

LD: Steven D. Levitt and Stephen J. Dubner, *Freakonomics: A Rogue Economist Explores the Hidden Side of Everything*, (2004).

DL: Available for download (see the *Course Documents* section of the course web site).

1. **INTRODUCTION**

a. **Describing what economists do and how they approach problems**

RHF Chap. 1, 2

LD, Chap. 1

b. **Basic concepts of supply and demand**

RHF, Chap. 3

2. **COMPETITION AND THE INVISIBLE HAND**

a. **Elasticity**

RHF, Chap. 4

b. **Demand (Benefit)**

RHF, Chap. 5

c. **Supply (Cost)**

RHF, Chap. 6

3. **PRODUCTION AND EFFICIENCY**

RHF, Chap. 7, 8

4. **MARKET IMPERFECTIONS**

a. **Monopoly**

RHF, Chap 10

b. **Game Theory**

RHF, Chap 11

Amy Wax, "Family Friendly Workplace Reform: Prospects for Change," *Annals* (November 2004) DL

c. **Externalities**

RHF, Chap 12

d. **Information**

RHF, Chap 13

5. THE ECONOMICS OF LABOR MARKETS

RHF, Chap 14

LD, Chap 3

"Ways and Means: Harvard's Wage Debate" *Harvard Magazine* November/December 2001
<http://www.harvard-magazine.com/on-line/110182.html> (see external links section on course website)

6. ENVIRONMENT AND HEALTH

RHF, Chap 15

Hahn, R.W. et. al. "Should You Be Allowed to Use Your Cell Phone While Driving?"
Regulation, Vol. 23, NO. 3, pp. 46-55. DL

7. PUBLIC GOODS AND TAXES

RHF, Chap 16

8. DATA AND ECONOMIC INTERPRETATIONS

LD, Chap. 4, 5, 6.