

School of Public and Environmental Affairs
Indiana University - Purdue University Indianapolis

SPEA-V 517 (25224): Public Management Economics (3 cr.)

Instructor: Jerome Dumortier

Time and Location: Monday 6:00 pm – 8:40 pm in BS 2008

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Office Hours: Monday 4:45 – 5:45 pm, Tuesday 4:45 – 5:45pm, and Friday 8:45-10:45 am.

Course Bulletin Description

This course focuses on applications of the principles and concepts of intermediate microeconomic theory and managerial economics to public sector management decisions and policy analysis. The course utilizes case studies to give students opportunities to recognize the economic dimensions inherent in the public policy problems and to develop an analytical problem-solving orientation.

Course Objective

The purpose of this course is to teach you the concepts of microeconomic theory. In general, economics studies the allocation of scarce resources. Consumers (you and me), firms, and governments face limited resources and must decide how to best allocate those resources to achieve a certain goal. In doing so, those actors interact with each other. This interaction of individual economic agents is the subject of microeconomics. On a daily basis, you are confronted with situations that can be analyzed with economic models, e.g., buying insurance, saving money for retirement, or deciding how much time to spend studying for an exam. At the end of this course, I want you to be able to analyze and think critically about those situations from an economic perspective. What you learn in this class is applicable to private, public and non-profit sector decisions, policy analysis as well as your daily life. The economic perspective of private and public decision making is an important consideration to practitioners and professionals in analyzing real world problems.

Roughly speaking, there will be four large parts in this class. We start off with analyzing how consumers allocate a fixed amount of income to different goods. In a second part, we will investigate how firms act and how they are driven by profit maximization. The third part covers the interaction between consumers and firms in the market. The concepts that we learn in the third part are most in line with what people call the “supply and demand”. In the fourth part, we will see why market failure occurs. The problem with the free market is that it works only under certain conditions. If we have externalities, asymmetric information, or market power, etc., the free market leads to an inefficient allocation of resources. Those issues and possible remedies will cover a large part of the course during the second half of the semester.

You will be confronted with a significant amount of information during this course. I will provide you with ample opportunities to learn the material. The homework assignments and the case studies will be important to understand and absorb the class material. The case studies give you the opportunity to recognize the economic dimensions inherent in the public policy problems and to develop an analytical problem-solving mindset. Note that there is almost no learning by

heart in this class, i.e., you do not have to memorize definitions or equations. I want you to understand the concepts and be able to apply them.

Economics relies heavily on mathematics to structure and model the real world. This course will use a good amount of mathematics and it is highly recommend refreshing your memory on algebra if necessary. You have seen all the mathematics used in this class before and there are no new concepts. I do understand that you might have forgotten some of the concepts and thus, I will go over any mathematical concepts used in class in detail.

I recommend a review of basic math skills: how to graph y against x and how to determine and interpret the slope of a line; how to do unit analysis, e.g., 8 hours \times 5.15 dollars/hour = 41.20 dollars; and how to compute a percent change, e.g., 1,600 gallons decreasing to 1,400 gallons is a -12.5% change.

Recommended Textbook and Online Resources

The recommended textbook for this class is *Intermediate Microeconomics: A Modern Approach* (8th Edition) by Hal R. Varian (ISBN: 978-0-393-93424-3). You can get earlier editions as well which is much cheaper. The book serves as a reference for the material presented in class. Lecture notes, assignments and all other material for this class can be found at <https://canvas.iu.edu>. Note that it will not be sufficient to download the lecture notes and study them without having attended the class. The slides are no substitutes to attending lectures. There will be a lot of information during the class lectures that is not in your book and this information will be asked on exams.

Evaluation

There will be one midterm exam (20% of final grade) and one final exam (30% of final grade). All exams are closed book and closed notes. The midterm examination is scheduled for October 13th, 2014 during regular class time. The final exam will be comprehensive. The material covered in class, the lecture notes, the book, homework assignments, and case studies are fair game for the exams. There are 8 homework assignments (25% in total) during the semester and three case studies (25% in total) that apply the material learned in class. The case studies are due electronically via email to jdumorti@iupui.edu. The three cases provide students with practical applications of the tools taught in this course to real policy issues. Your lowest homework score will be dropped.

Grading Scale

If x is your class score, then the following grading scale applies:

$x \geq 97\%$	A+	$90\% > x \geq 87\%$	B+	$80\% > x \geq 77\%$	C+	$70\% > x \geq 67\%$	D+
$97\% > x \geq 93\%$	A	$87\% > x \geq 83\%$	B	$77\% > x \geq 73\%$	C	$67\% > x \geq 63\%$	D
$93\% > x \geq 90\%$	A-	$83\% > x \geq 80\%$	B-	$73\% > x \geq 70\%$	C-	$63\% > x \geq 60\%$	D-

Anything below 60%, i.e., $x < 60\%$, results in the grade "F".

Canvas

This course will be using the new course management system called Canvas <https://canvas.iu.edu> that was adopted by Indiana University. Do not use oncourse for any business related to this class!

General Items

I really like teaching and I am very passionate about economics (if this wasn't true, I'd be miserable with my job). Below is a list of items and suggestions that I would like you to keep in mind. For 9 out of 10 students, the items on this list are common sense and reflect good manners. Unfortunately, I had (very few) students in the past whose behavior forced me to explicitly state my expectations in the syllabus. My colleague, Professor Kenna Quinet, was kind enough to share her code of conduct with me. So the items you see below are a mix of her and my ideas of how students should conduct themselves in a university environment. The following suggestions may help us avoid any confusion as the semester progresses.

- Turn off your phones. Do not let it make ring or vibrate during class. This behavior is rude towards your classmates and me.
- Do not be late. You should plan in advance for traffic, parking, and other possible delays. In the event that you are late, come into the classroom quietly and take your seat. Do not walk across the front of the classroom and do not bother your classmates to try to catch up. I do go over the homework solutions at the beginning of class. Do not expect me to hand you back your homework until the end of the class when you are late.
- You do not have to call me and leave messages (including email) about why you cannot attend class unless it is an exam day. Absence from class is your issue and you should contact someone in class to get notes. Do not come to my office hours and expect a private mentoring session on the lecture material you missed.
- Please note that there will be no make-up exams except for medical reasons, school sponsored events, jury duty, family death, and military duty. In any case, you have to notify me in advance if you are going to miss an exam. I need written documentation from a physician in the case of a medical problem and a note from your advisor in all other cases. You will not be able to schedule a make-up exam without written documentation. Do not make me ask for the documentation. If you have a legitimate excuse for being absent on an exam date, please see me in advance of the exam (with documentation) and you may be able to take the exam early. Do not ask to take an exam early because you booked a vacation without checking the syllabus first. If you are sick on an exam day and have a doctor's excuse to miss the test, you must call me and tell me you are going to miss the exam ahead of the exam time. Do not sit in class and listen to us talk through the exam and then come up after that class and tell me you need to take the exam. If you are late to an exam, you do not get extra time at the end. If you are so late that other students have already left the exam you will not be allowed to begin the exam, you will get a zero unless you have a verifiable emergency for why you were so late.
- Cheating will be met with the most severe penalties allowed by the University.
- Please do your homework neatly and staple it. If you know in advance that you are going to miss a class on the due date of homework, you can drop your assignment in my mailbox outside BS 4032. You can also scan your homework and send it via email to me. A score of 0 applies after the due date and time. This policy will be strictly enforced because it would be unfair to other students who turn in their homework on time. It is your obligation to present proof of submission if there is any question about whether the homework was sent.

- I encourage you to come to office hours if you have questions, comments, and concerns. Do not come to office hours and solve the homework in front of me. This is unfair to other students.
- I strongly prefer if you use my email address, i.e., jdumorti@iupui.edu, for communication instead of Canvas. It is much more convenient and you get a quicker response. Note that it is university policy that you have to use your official university account for communication with me. If you send me an email from a non-university account, e.g., Gmail, Yahoo, etc., I will respond to your IU/IUPUI account. Do not send me a message on canvas after the end of the semester. Always use my email.
- I am more than happy to discuss your educational, professional and career objectives.
- There is no extra credit in this class.

Schedule

Week 1: 25-Aug	Lecture 1 – Introduction Reading: <ul style="list-style-type: none"> • Chapter 2
Week 2: 1-Sep	No class
Week 3: 8-Sep	Lecture 2 – Consumer Theory Reading: <ul style="list-style-type: none"> • Chapter 3 (skip “Bads”, “Neutrals”, Satiation”, and “Discrete Goods” in section 3.4; skip section 3.5) • Chapter 4 (skip section 4.1) • Chapter 5 (skip “Neutrals and Bads”, “Discrete Goods”, “Concave Preferences” in section 5.3, skip section 5.4) • Chapter 6 (skip 6.2 and 6.6)
Week 4: 15-Sep	Lecture 3 – Producer theory Reading: <ul style="list-style-type: none"> • Chapter 18 (skip 18.4) • Chapter 19 (skip 19.2-19.4, 19.9, and 19.11) <p>Homework 1 “Consumer Theory” due</p>
Week 5: 22-Sep	Lecture 4 – Cost theory Reading: <ul style="list-style-type: none"> • Chapter 20 (skip 20.2) • Chapter 21 (skip 21.4) • Chapter 22 <p>Homework 2 “Producer Theory” due</p>

Schedule (continued)

Week 6: 29-Sep	Lecture 5 – Supply, demand, and elasticities Reading: <ul style="list-style-type: none"> • Chapter 14 (read only 14.7 and 14.9) • Chapter 15 (skip 15.3 and 15.4) • Chapter 16 (skip 16.6 - 16.8 for now) Homework 3 “Cost Theory” due (note that this homework consists of an online submission and a paper submission in class)
Week 7: 6-Oct	Lecture 6 – Perfect competition and market intervention Reading: <ul style="list-style-type: none"> • Chapter 16 (16.6-16.8) • Chapter 23 (skip 23.11 for now) Homework 4 “Supply and Demand” due
Week 8: 13-Oct	MIDTERM EXAMINATION
Week 9: 20-Oct	No class
Week 10: 27-Oct	Lecture 7 – Imperfect competition: Monopoly Reading: <ul style="list-style-type: none"> • Chapter 24 • Chapter 25 (skip 25.5-25.10) Homework 5 “Perfect Competition”
Week 11: 3-Nov	Lecture 8 – Imperfect Competition Reading: <ul style="list-style-type: none"> • Chapter 27 Case Study 1 “Profit Maximization for a Non-Profit” due
Week 12: 10-Nov	Lecture 9 – Game theory Reading: <ul style="list-style-type: none"> • Chapter 28 • Chapter 29 (skip 29.1, 29.2, 29.4, and 29.7) Homework 6 “Imperfect Competition” due
Week 13: 17-Nov	Lecture 10 – Externalities and public goods Reading: <ul style="list-style-type: none"> • Chapter 23.11 • Chapter 34 (skip 34.1, 34.2) • Chapter 36 (skip 36.8-36.11) Homework 7 “Game Theory” due

Schedule (continued)

Week 14: 24-Nov	Lecture 10 – Externalities and public goods (continued) Reading <ul style="list-style-type: none"> • Chapter 37 (skip 37.7) Case Study 2 “Cap-and-Trade” due
Week 15: 1-Dec	Lecture 11 – Asset markets, uncertainty, and risky asset Reading: <ul style="list-style-type: none"> • Chapter 11 • Chapter 12 • Chapter 13 Case Study 3 “Parks and Recreation” due
Week 16: 8-Dec	Lecture 12 – Intertemporal decision making Reading: <ul style="list-style-type: none"> • Chapter 10 Homework 8 “Externalities and Public Policy” due
Week 17: 15-Dec	Review Session
Week 18: 19-Dec	FINAL EXAM: Friday 6:00 – 8:00 pm, BS 2008

Syllabus Addendum: SPEA 2014 Policies

There are a number of campus-wide policies governing the conduct of courses at IUPUI. These can be found at http://registrar.iupui.edu/course_policies.html. Additional information for SPEA courses is below.

Civility and Disorderly Conduct

SPEA, which is a professional school, expects students to conduct themselves in a courteous and civil manner in interactions with professors and fellow students. This requires each person to be courteous, tolerant, and respectful during interactions with one another in all interactions, including face-to-face interactions, e-mail, and telephone conversations. Examples of discourteous behavior during class include reading the newspaper, working crossword puzzles, listening to headphones, talking or laughing with other, arriving late, using computers to surf the web, allowing cell phones to ring or sending text messages, or other non-class activities. The use of language, tone, or gestures that are inappropriate or offensive is also discourteous. These behaviors are not acceptable, and SPEA faculty and staff will address these problems as they arise either in class or on an individual basis.

Disorderly conduct that interferes with teaching, research, administration, or other university or university-authorized activity will not be tolerated and will be reported immediately to the Office of the Dean of Students for disposition, which may result in disciplinary action,

including possible suspension and/or expulsion from the university. Responsibilities and expectations of students and faculty can be found at <http://registrar.iupui.edu/misconduct.html>.

Academic Misconduct

Students are responsible for upholding and maintaining academic and professional honesty and integrity (*IUPUI Code of Student Rights, Responsibilities, and Conduct*, available at <http://www.iu.edu/~code/>, Part II Student Responsibilities, G).

Plagiarism is the most common academic misconduct violation, and some students, who have been disciplined for plagiarism, have said they were not aware that they had plagiarized their work. Be aware that ‘not knowing’ does not excuse academic misconduct – every student is responsible for knowing the rules. The IU School of Education’s ‘How to Recognize Plagiarism’ is an on-line tutorial that can help you avoid plagiarism. It can be accessed at <http://www.indiana.edu/~istd/>. If you have any questions about what constitutes academic misconduct for a course you are taking, be sure to ask the instructor for an explanation.

All faculty have the responsibility of fostering the “intellectual honesty as well as the intellectual development of students” and part of this responsibility means that faculty must investigate cases of potential academic misconduct promptly and thoroughly. Faculty members also have the responsibility of taking appropriate action when academic misconduct occurs. The penalties for academic misconduct include but are not limited to lowering a grade on an assignment, lowering a course grade, or failing a student for a course. Significant violations of the *Code* can result in expulsion from the University.

SPEA faculty take their responsibilities seriously and do not tolerate cheating, plagiarism, or any other form of academic misconduct. If you have not done so, you should read about your responsibilities in the *IUPUI Code of Student Rights, Responsibilities, and Conduct* to ensure that you understand what these terms mean and what penalties can be issued for academic misconduct.

The *IUPUI Code of Student Rights, Responsibilities, and Conduct* defines four areas of academic misconduct: cheating, fabrication, plagiarism, and interference. The prohibited activities and actions include the following:

- 1) Cheating. A student must not use or attempt to use unauthorized assistance, materials, information, or study aids in any academic exercise, including, but not limited to, the following:
 - a) A student must not use external assistance on any "in-class" or "take-home" examination, unless the instructor specifically has authorized external assistance. This prohibition includes, but is not limited to, the use of tutors, books, notes, and calculators.
 - b) A student must not use another person as a substitute in the taking of an examination or quiz.
 - c) A student must not steal examinations or other course materials.
 - d) A student must not allow others to conduct research or to prepare work for him or her without advance authorization from the instructor to whom the work is being submitted. Under this prohibition, a student must not make any unauthorized use of materials obtained from commercial term paper companies or from files of papers prepared by other persons.

- e) A student must not collaborate with other persons on a particular project and submit a copy of a written report which is represented explicitly or implicitly as the student's individual work.
 - f) A student must not use any unauthorized assistance in a laboratory, at a computer terminal, or on field work.
 - g) A student must not submit substantial portions of the same academic work for credit or honors more than once without permission of the instructor to whom the work is being submitted.
 - h) A student must not alter a grade or score in any way.
- 2) Fabrication. A student must not falsify or invent any information or data in an academic exercise including, but not limited to, records or reports, laboratory results, and citations to the sources of information.
- 3) Plagiarism. A student must not adopt or reproduce ideas, words, or statements of another person without appropriate acknowledgment. A student must give credit to the originality of others and acknowledge an indebtedness whenever he or she does any of the following:
- a) Quotes another person's actual words, either oral or written;
 - b) Paraphrases another person's words, either oral or written;
 - c) Uses another person's idea, opinion, or theory; or
 - d) Borrows facts, statistics, or other illustrative material, unless the information is common knowledge.
- 4) Interference.
- a) A student must not steal, change, destroy, or impede another student's work. Impeding another student's work includes, but is not limited to, the theft, defacement, or mutilation of resources so as to deprive others of the information they contain.
 - b) A student must not give or offer a bribe, promise favors, or make threats with the intention of affecting a grade or the evaluation of academic performance.

Communication between Faculty and Students

In order to verify the identity of all parties involved, effective September 1, 2004, all email communication from current SPEA students to SPEA staff must originate from an Indiana University email account. For email communication with SPEA faculty, current SPEA students should refer to course syllabi for instructors' preferences (canvas, Webmail, etc.). This policy applies to current students only. Instructions for forwarding your IUPUI email to another account can be found at <http://uits.iu.edu/scripts/ose.cgi?berh.def.help>.

Students Needing Support From Counseling and Psychological Services

SPEA encourages any student who has concerns about their personal welfare to seek assistance with the professionally trained counselors of the IUPUI Counseling and Psychological Services (CAPS). CAPS provides direct professional psychological services, including crisis response, counseling, assessment and referral to all IUPUI students. More information can be found at <http://studentaffairs.iupui.edu/health-wellness/counseling-psychology/index.shtml>.

Students Needing Support From Adaptive Educational Services

Students needing accommodations because of a disability will need to register with Adaptive Educational Services (AES) and complete the appropriate forms issued by AES before

accommodations will be given. The AES office is located in Taylor Hall, UC 100. You can also reach the office by calling 274-3241. Visit <http://aes.iupui.edu/> for more information.

Students Called to Active Duty

SPEA encourages any student who is in the Indiana Military Reserves and is called to active duty to finish his/her coursework if at all possible. Students who cannot complete their courses have the option of withdrawing with 100% fee refund, but this request must be made within one week of being called to active duty. Students who are called to active duty may qualify for an incomplete (provided that all the above criteria have been met). For further information, please see the Office of the Registrar's website at <http://veterans.iupui.edu/practices/withdrawal.php>.

FLAGS System

SPEA faculty will be using IU's FLAGS System (Fostering Learning, Achievement, and Graduation Success) to provide real-time feedback on student performance in the course. Periodically throughout the semester, data on factors such as class attendance, participation, and success with coursework, etc. will be entered with suggestions on ways to improve performance. Students may access this information in the student center: Onestart > Student Services page > Student Center > My Academics and Grades > My Grades.

Administrative Withdrawal (AW)

If this class is utilizing the Administrative Withdrawal (AW) Policy, a student could be withdrawn from the class if they miss more than half of the required class activities within the first 25% of the course. More information can be found in the attendance and/or assessment portion of the syllabus if this policy is being used.

Course Withdrawals

Students who stop attending class without properly withdrawing from the class will receive a grade of F. It is important to withdraw from a course within specified timeframes (see chart below). Note that withdrawals after Week 12 of a regular session or Week 4 of a summer session are rarely granted. Poor performance in a course is not grounds for a late withdrawal.

Withdrawal forms will not be processed in the Office of the Registrar after the last day of classes. Any requests for a late withdrawal after the last day of classes must go through the grade appeal process, but each student should remember that in accordance with campus policy, SPEA does not permit a student to withdraw from a course if he/she has completed the course requirements. Grade replacement should be used in this case. See the Office of the Registrar's website at <http://registrar.iupui.edu/withdraw.html> for more information. To withdraw, obtain a withdrawal slip (DROP/ADD Form) from the SPEA Student Services window. Instructions for completing it are given on the form.

Withdrawal Deadlines	
Course deleted from record, no grade assigned, 100% refund (Advisor signature IS NOT required)	Week 1 (last day)
Withdrawal with automatic grade of W (Advisor signature IS required)	Week 2– Week 7 (regular session) Week 2 – Week 3 (summer session)

Withdrawal with grade of W or F (Advisor and instructor signatures ARE required)	Week 8 – Week 12 (regular session) Week 3 – Week 4 (summer session)
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Incompletes

A grade of incomplete (I) indicates that a ‘substantial portion’ of the work in a course has been satisfactorily but not entirely completed by the student as of the end of the semester. The incomplete can be given to a student facing a hardship such that it would be unjust to hold the student to the established time limits for completing the work. To be eligible for the incomplete in a SPEA course, the student’s work must be of passing quality, and the student must have completed 75% of the course requirements. Poor performance in a course is not grounds for an incomplete. SPEA follows the campus guidelines, which may be accessed at the Office of the Registrar’s website at <http://registrar.iupui.edu/incomp.html>, in awarding incompletes. Incompletes must be removed within a time period not to exceed one year after the semester in which the student was enrolled in the course. The incomplete will revert to an ‘F’ if the work is not completed within the allotted timeframe established by the instructor.

Grade Changes

Under certain circumstances, students can seek grade changes for previously taken courses if they believe that a grade has been calculated or assigned incorrectly. A student who is seeking a grade change must first contact the instructor and ask for the grade change. In the event the instructor does not change the grade, the student can file a Change of Grade Petition with the Registrar’s Office. In SPEA, a student has 90 days after the conclusion of a course to appeal a grade. In cases of extenuating circumstances, SPEA may consider petitions filed after this date. SPEA will review the request and make a final decision on a case-by-case basis. The Change of Grade petition form is located at the Office of the Registrar’s website at <http://registrar.iupui.edu/grdfm.html>.

Final Exam Schedule

If a final exam is given, it must be held on the day and time set in the final exam schedule. If an instructor has changed the final exam date, the student should first consult with the instructor. Students who have more than three final exams in one day or insufficient time to get from one exam to another should consult with their instructors to resolve these conflicts. If a student is not able to resolve a final exam problem with the instructor, the student may report the problem to the Director of the program. Tests or major writing assignments may not be required during the week before the formal final exam week unless assigned or announced at the beginning of the semester. See the Office of the Registrar’s website at <http://registrar.iupui.edu/final-policy.html> for the policy and final exam week schedule.

Note: This syllabus is tentative and subject to change.