

**Applied Microeconomics for Policy Analysis (PA 393K) and
Microeconomics (PA 393G)
Fall 2023**

Course Description

This is an introductory microeconomics course with an emphasis on public policy applications, both international and domestic. Economics is the study of the allocation of scarce resources. The course will illustrate how private markets work to do this efficiently, from the perspective of both consumers and firms. We will then learn about “market failures,” the conditions under which markets generally do not allocate goods and services efficiently. Much of public policy analysis focuses on situations of market failure, since these are common justifications for government intervention. While the course will strongly emphasize mastery of the basic building blocks of microeconomics, particularly at the beginning, we’ll talk as often as we can about specific public policy applications and examples. Our goal is for you to become fluent consumers of economic information and analysis, and for you to develop the skills to contribute confidently to basic microeconomic policy discussions in your careers.

Instructor **Sheila Olmstead** (she/her/hers)

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Office hours: Wednesdays, 12:30-2:00pm (or by appointment).

1 Sign up for a time using this [google sheet](#).

2 At your appointed time, Zoom to: <https://utexas.zoom.us/j/97838569267>.

Teaching Assistants

Antonia Vazquez

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Learning Objectives

Course objectives include comprehension of the microeconomic tools that are useful in evaluating public policies. Broadly these include understanding:

1. How prices and economic incentives impact behavior;
2. The effects of changes in market conditions and/or the effects of public policies on consumer welfare;
3. The conditions under which markets yield efficient outcomes and the situations under which these conditions do not hold;
4. The role of policies intended to address market failures.

In addition, by the end of the semester, students should be able to:

1. Extract and interpret economic content from popular press articles.

2. Effectively communicate basic microeconomic concepts to others.
3. Model respectful disagreement using reasoned arguments with appropriate support.
4. Collaborate with others.

Prerequisites and Course Requirements

There is no economics prerequisite. A clear and intuitive grasp of basic mathematics is required (arithmetic, fractions/ratios/percents, graphing in a Cartesian coordinate system, basic algebra and equation solving). If you are worried about using these tools, I encourage you to review and, if appropriate, work through the materials on NYU Wagner's online [Math Review](#). These concepts will not be reviewed in class beyond the first week.

Course Format and Grading

The class will combine lecture, discussion, interactive exercises, and problem-solving. We will meet once per week in person. The teaching assistants will each hold an optional weekly review session. These two weekly reviews will be shared across the three micro sections taught by myself and Professor Waxman this fall. It does not matter which one you attend, but attending one review per week will be very helpful for understanding the material and working through the problem sets.

Points will be given for each assignment, but a letter grade (A, A-, B+, B, ...) will be received only at the end of the semester. Your course grade will be weighted as follows:

Problem sets	32%
Midterm exam 1	16.5%
Midterm exam 2	16.5%
Final exam	25%
Class participation	10%

Participation in class discussions: 10%

Attendance and participation in class is expected. We all gain more from the course when it includes lively, but always respectful, exchanges. Part of your grade will be based on the quality of your questions, comments, and contributions to discussion, in addition to how often you participate. The best preparation for well-informed discussion is to stay on top of the readings and to think deeply about the material in advance of class.

Problem sets: 32%

8 problem sets will be distributed over the course of the semester. Collaboration with other students on assignments is permitted although the final copy submitted for grading must be your own. Late assignments will receive a grade penalty of 10 percentage points for each 24-hour period beginning one hour past the due time up to 72 hours. Assignments received after this period will receive a grade of zero. One exception to this policy: you have a 24-hour grace period on one (and only one) assignment of your choosing. The grace period has no redemption value; it's use it or lose it.

Midterm exams: 33%

You will have two midterm exams, both of them taken on Gradescope. Each midterm is worth 16.5% of your course grade.

Final exam:

25%

The final exam will be comprehensive. The exam will be taken on Gradescope during UT's exam period, opening and closing dates TBA.

Make-ups for exams will not be offered. If you are unable to take an exam due to a documented illness, the weight of the missed exam will be shifted to the two other exams. You are not required to reveal your health status to me; to obtain appropriate documentation, you can contact Student Emergency Services (SES) at studentemergency@austin.utexas.edu. SES will collect your confidential documentation and confirm without revealing your protected information.

How will I submit my problem sets and exams?

Problem set and exam submission will be done via a Canvas-integrated app called [Gradescope](#). Most of the problems you encounter on problem sets and exams are most easily done by hand with pencil and paper (i.e., not a software program), though some students prefer to use Excel. Here are some suggestions for converting your hand-drawn answers to an electronic version for submission to Gradescope:

1. Use a free scanning app like [Scannable](#) or [Genius Scan](#) to scan, edit and save your hand-written answers (on paper). You may want to find a place to work with good lighting and enough space to take quality images.
2. If you own a tablet such as an iPad or Samsung Galaxy or have a touchscreen computer (such as a Microsoft Surface) any note-taking app can record hand-drawn work (i.e., with a stylus) in a format (usually PDF) that is easy to submit online.

Class Preparation and Participation

This is a challenging course that moves rapidly. Preparation for each class is essential. If you fall behind, you will find it difficult to follow the lecture and participate in class discussions (as well as to complete your problem sets). Each class meeting builds on those that preceded it. Please do the required reading and watching (some of the course materials are short videos) **before** each class meeting.

I encourage you to work on problem sets in small groups of two to four students – this works best when everyone contributes, which is harder with larger groups. Each individual student must turn in her/his own work. Once your problem set group has jointly developed a strategy for solving the problems, each student must prepare their own problem set answers, written in their own words. Problem sets are due before the beginning of each class meeting (8:59am for morning classes, 1:59pm for afternoon classes). You will turn in all of your weekly problem sets on Gradescope, using the link to the Gradescope on our class Canvas site.

Some class meetings will include a structured discussion focused on a case or a group of articles. The cases and any related articles will be posted to Canvas in advance, so that everyone can read them to prepare for class. Required preparation will include a set of study questions. Sometimes I will divide the class into groups to prepare a discussion around one or

more of these questions. No written materials will be turned in for the cases, but you should read and otherwise prepare carefully.

Course Materials

The course textbook is *Microeconomics*, by Robert S. Pindyck and Daniel L. Rubinfeld. The latest version of this text is the 9th edition (2018). However, prior editions available online are **MUCH** cheaper and will be equally as useful to you in the class, so please feel free to order an older version. **I'm serious about this! I don't even own the 9th edition.** The section numbers for the textbook in the syllabus are valid for the 6th, 7th, 8th and 9th editions of Pindyck & Rubinfeld – you may need to check on the correct section numbers for editions earlier than the 6th.

All non-textbook material will be available on the course Canvas site. You are responsible for reviewing the required material **in advance** of the associated class. A schedule of lecture material and the required readings for each lecture is available on the course Canvas site. **The schedule will be updated and revised as needed as the semester progresses.** I will notify you in class and via an announcement on Canvas (and associated email) anytime a new version of the schedule is posted.

Finally, I recommend that you invest in some graph paper, pencils, colored pens and/or pencils, erasers, something with a straight edge (your UT ID will work well for this), and a simple calculator (the one on your phone will be fine).

COURSE AND UNIVERSITY POLICIES AND RESOURCES

Electronic Equipment Use During Class

Please direct your attention to class activity during class meetings. Restrict cell phone use to emergencies, and keep phones in silent mode while you are in class. I strongly recommend taking notes longhand, summarizing basic concepts and drawing graphs as I draw them on the slides or board. My own experience teaching this course for more than 20 years suggests that students who take longhand notes in an economics course are more effective learners. There is some good [empirical evidence](#) for this, as well! If you use a laptop or tablet either due to preference or learning differences, please restrict its use to note-taking and other functions directly relevant to the class discussion.

Classroom Safety and COVID-19

Please stay home if you are sick, so that you will feel better sooner, and also to protect everyone else in the classroom! If you need to miss class due to illness, send me an e-mail. To help preserve our in-person learning environment, the university also recommends the following.

- Adhere to university mask guidance.
- Vaccinations are widely available, free and not billed to health insurance. The vaccine will help protect against the transmission of the virus to others and reduce serious symptoms in those who are vaccinated.
- Proactive Community Testing remains an important part of the university's efforts to protect our community. Tests are fast and free.

Visit protect.utexas.edu for more information.

What will happen if class needs to move online?

This course is currently scheduled to meet in person. If classes move online because the public health situation warrants that move, we will still learn a lot of economics! To access Zoom securely if needed, please configure your free University of Texas Zoom account on the [UT Zoom website](#).

Academic Integrity

You are expected to respect the LBJ School's standards regarding academic integrity. Students who violate these standards are subject to disciplinary penalties, including the possibility of failure in the course and/or dismissal from the University. You owe it to yourself, your fellow students, and the institution to maintain the highest standards of integrity and ethical behavior. A discussion of academic integrity, including definitions of plagiarism and unauthorized collaboration, as well as helpful information on citations, note taking, and paraphrasing, can be found on UT's website at the Office of the Dean of Students web page (<http://deanofstudents.utexas.edu/conduct/>). The University has also established disciplinary procedures and penalty guidelines for academic dishonesty, especially Sec. 11.504 in Appendix C of the Institutional Rules on Student Services and Activities section in UT's General Information Catalog.

Students with Disabilities

You can start this conversation by forwarding me your accommodation letter. If you have not yet established accommodations through [UT's Services for Students with Disabilities \(SSD\)](#), then please contact them at 512-471-6259 (voice) or 512-410-6644 (video phone) as soon as possible to request an official letter outlining authorized accommodations. SSD is currently experiencing extended wait times for appointments so if you have submitted documentation to SSD but have not been able to get an appointment, please let me know.

Personal Pronoun Use (She / He / They / Ze / Etc)

Professional courtesy and sensitivity are important with respect to individuals and topics dealing with differences of race, culture, religion, politics, sexual orientation, gender, gender variance, and nationalities. Class rosters are provided to the instructor with each student's legal name, unless they have added a "preferred name" with the [Gender and Sexuality Center](#). I will gladly honor your request to address you by a name that is different from what appears on the official roster, and by the gender pronouns you use (she/he/they/ze, etc). Please advise me of any changes early in the semester so that I may update my records from the start. I expect names and pronouns to be respected at all times in the classroom. I also understand that mistakes in addressing one another happen (including those by me) so I encourage an environment of respect and openness to correction and learning.

Mental Health Resources

I urge students who are struggling for any reason and who believe that it might impact their performance in the course to **reach out to me** if they feel comfortable. This will allow me to

provide any resources or accommodations that I can. If you are seeking mental health support, call the Counseling and Mental Health Center (CMHC) at 512-471-3515 (8a.m.-5p.m., Monday-Friday), or you may also contact Bryce Moffett, LCSW-S (LBJ CARE counselor) at 512-232-4449. Bryce's office is located in SRH 3.119 and she holds drop in Office Hours on Monday from 1-2 pm. For urgent mental health needs, please contact the CMHC 24/7 Crisis Line at 512-471-2255.

Harassment Reporting Requirements

Title IX, a segment of the Education Amendments of 1972, makes it clear that violence, harassment, or discrimination based on sex and gender are Civil Rights offenses subject to the same kinds of accountability and the same kinds of support applied to offenses against other protected categories such as race, national origin, etc. If you or someone you know has been harassed or assaulted, you can find the appropriate resources at

<https://www.utexas.edu/student-affairs/policies/title-ix>.

Senate Bill 212 (SB 212), which took effect January 1, 2020, is a Texas State Law that requires all employees (both faculty and staff) at a public or private post-secondary institution to promptly report any knowledge of any incidents of sexual assault, sexual harassment, dating violence, or stalking "committed by or against a person who was a student enrolled at or an employee of the institution at the time of the incident." Please note that both the instructor and the TAs for this class are mandatory reporters and MUST share with the Title IX office any information about sexual harassment/assault shared with us by a student whether in-person or as part of a journal or other class assignment. Note that a report to the Title IX office does not obligate a victim to take any action, but this type of information CANNOT be kept strictly confidential except when shared with designated confidential employees. A confidential employee is someone a student can go to and talk about a Title IX matter without triggering that employee to have to report the situation to have it automatically investigated. A list of confidential employees is available on the [Title IX website](#).

Campus Safety and Wellness Resources

The following recommendations regarding emergency evacuation are from the Office of Campus Safety and Security (512-471-5767, <http://operations.utexas.edu/units/csas/terms.php>).

- Occupants of buildings on the UT Austin campus are required to evacuate buildings when a fire alarm is activated. Alarm activation or announcement requires exiting and assembling outside.
- Familiarize yourself with all exit doors of each classroom and building you may occupy. Remember that the nearest exit door may not be the one you used when entering the building.
- Students requiring assistance in evacuation shall inform their instructor in writing during the first week of class. In the event of an evacuation, follow the instruction of faculty.
- Do not re-enter a building unless given instructions by the following: the Austin Fire Department, the UT Austin Police Department, or Fire Prevention Services office.
- Behavior Concerns Advice Line (BCAL): 512-232-5050.

- Link to information regarding emergency evacuation routes and emergency procedures can be found at: <http://preparedness.utexas.edu/emergency-plans>.

More information on how to sign up for emergency text alerts, contact information for various UT offices, wellness resources, and campus initiatives relating to safety and/or wellness can be found at <https://www.utexas.edu/campus-life/safety-and-security>. Graduate school and life, in general, can be stressful! If you are struggling, know that you are not alone, and please reach out to one of the many mental health resources available to UT graduate students.

Religious Holidays

By UT Austin policy, please notify me of your pending absence at least fourteen days prior to the date of observance of a religious holiday. If you must miss a class, an examination, a work assignment, or a project in order to observe a religious holiday, you will be given an opportunity to complete the missed work within a reasonable time after the absence.

Campus Carry

Since August 2016, UT students with License to Carry (LTC) permits may carry concealed handguns in campus buildings, under Texas' Senate Bill 11 ("Campus Carry"). This law requires that students with LTC conceal handguns while on campus at all times, with no exceptions. The law and UT policy also allow faculty to give oral notice to students that concealed handguns may not be carried in sole-occupant faculty offices. Concealed handguns are not allowed in my office (SRH #3.242), so on days during which you visit my office, please make arrangements to leave handguns off campus. I will make this announcement on the first day of class; I repeat it here in writing as a reminder.

COURSE SCHEDULE AND READING LIST

There will be minor changes to the schedule below over the course of the semester. Please use the course Canvas page to find the most up-to-date version. Please review any materials listed prior to each class meeting.

Date of class meeting	Topic	Materials to review prior to class meeting. Note: Some are chapters or articles to read, others are short videos to watch.	Assignments due, other relevant info
8/22	Course syllabus, review of helpful math tools, introduction to microeconomics	<ol style="list-style-type: none"> Chetty, Raj. 2013. "Yes, Economics Is a Science." <i>The New York Times</i> online. October 20. CoreEcon. 2020. The Economy. Chapter 1: The Capitalist Revolution. McMillan, John. 2002. <i>Reinventing the Bazaar: A Natural History of Markets</i>. New York: W. W. Norton, pp. 3-26. Chabris, Christopher and Daniel Simons. 2013. "Does This Ad Make Me Fat?" <i>The New York Times</i> online. March 8. 	
8/29	Demand, supply, market equilibrium	<ol style="list-style-type: none"> P&R Chapter 1, Chapter 2 (Sections 2.1-2.2) Mullainathan, Sendhil. 2016. "Sending Potatoes to Idaho? How the Free Market Can Fight Poverty." <i>The New York Times</i> online. October 7. 	Problem set 1 due
9/5	Elasticity, introduction to taxes and price controls	<ol style="list-style-type: none"> P&R Chapter 2 (Sections 2.3-2.5, 2.7) 	Problem set 2 due
9/12	Consumer behavior and individual demand	<ol style="list-style-type: none"> P&R Chapter 3 (Sections 3.1-3.5) 	Problem set 3 due
9/19	Individual and market demand	<ol style="list-style-type: none"> P&R Chapter 4 (Sections 4.1-4.4) <i>Case for discussion</i>: Aragón, Edgar and José Gómez-Ibáñez. Liconsa and the Program of Social Assistance for Milk. Kennedy School of Government Case No. CR14-04-1766.0 	End of Midterm 1 material
9/26	Production and supply	<ol style="list-style-type: none"> P&R Chapter 6, Chapter 7 (Sections 7.1-7.4) 	Midterm 1 due 9/26
10/3	Profit maximization, competition and economic efficiency	<ol style="list-style-type: none"> P&R Chapter 8 Graddy, Katherine. 2015. Fishing for perfect competition. CoreEcon (video). 	Problem set 4 due

10/10	Price controls, taxes and subsidies	<ol style="list-style-type: none"> 1. P&R Chapter 9 2. Griffith, Rachel. 2018. Do Soda Taxes Work? Vox EU/CEPR (video). 	Problem set 5 due
10/17	International trade, labor markets	<ol style="list-style-type: none"> 1. P&R Chapter 9 2. Dube, Arin. 2016. The Impact of a Minimum Wage. CoreEcon (video). 3. Rouse, Cecilia. 2016. Gender Discrimination in Labor Markets. Stanford University, Center on Poverty and Inequality (video). 	Problem set 6 due
10/24	Inequality and distributional analysis	<ol style="list-style-type: none"> 1. Cook, Gareth. 2019. Raj Chetty's American Dream. The Atlantic. August. 2. Chetty, Raj, John Friedman, Nathaniel Hedren, Maggie Jones, and Sonya Porter. 2018. The Opportunity Atlas: Mapping the childhood roots of social mobility. Executive Summary. Washington, DC: U.S. Census Bureau. 3. Derenoncourt, Ellora. 2020. The Historic Determinants of Racial Inequality in the U.S. (Can you Move to Opportunity?) Econimate (video). 4. Hamilton, Darrick. 2018. How "Baby Bonds" Could Help Close the Wealth Gap (video). 	End of material for Midterm 2
10/31	Market power: monopoly, monopsony, and oligopoly	<ol style="list-style-type: none"> 1. P&R Chapter 10 (Sections 10.1-10.4, skim 10.7), Chapter 12 (Sections 12.1-12.4, 12.6) 	Midterm 2 due 10/31
11/7	Externalities and public goods	<ol style="list-style-type: none"> 1. <i>Case for discussion:</i> Datla, Anjani and José Gómez-Ibáñez. 2015. Airlines and Antitrust: Scrutinizing the American Airlines-US Airways Merger. Harvard Kennedy School Case No. 2044.0. 2. P&R Chapter 18 3. Cárdenas, Juan-Camilo. Invisible Hands Working Together. 2015. CoreEcon (video). 4. Davidson, Adam. 2013. Should we tax people for being annoying? The New York Times online. 8 January. 	Problem set 7 due
11/14	Uncertainty, insurance and asymmetric information	<ol style="list-style-type: none"> 1. P&R Chapter 17 (Sections 17.1-17.4) 2. "Information Asymmetry: Secrets and Agents". <i>The Economist</i>. July 23, 2016. 3. Jensen, Christopher. 2007. "Certified? Yes. Satisfied? Not Always." <i>The New York Times</i> online. May 6. 4. <i>Case for discussion:</i> Datla, Anjani and Henry Lee. 2016. Pricing Carbon: The Birth of British Columbia's Carbon Tax. Harvard Kennedy School Case No. 2062.0 	Problem set 8 due
11/21	Fall break—NO CLASS		

11/28	Introduction to behavioral economics	<ol style="list-style-type: none"> 1. Thaler, R. H., and C. R. Sunstein. 2008. <i>Nudge: Improving decisions about health, wealth and happiness</i>. New York: Penguin Books, introduction and Chapter 1. 2. Karing, Anne. 2020. Social signaling and childhood immunization. Econimate (video). 	
TBA	Final exam period	Final exam will open on Gradescope on Dec. 1 and close on Dec. 8. This will be a comprehensive, three-hour exam.	