

Professor David F. Layton  
Winter 2018  
Evans School of Public Policy and Governance  
University of Washington

**PUBPOL 517 B&C**  
**Economics for Policy Analysis and Management II**

Meeting on Thursdays:      Section B from 12:30 to 3:20 in PAR 108  
   Section C from 5:30 to 8:20 in SAV 264

Quiz section BA meets on Thursdays from 4:30 to 5:20 in PAR 108  
Quiz section BB meets on Fridays from 10:30-11:20 in PAR 108  
Quiz section CA meets on Mondays from 4:30-5:20 in PAR 108  
Quiz section CB meets on Fridays from 11:30-12:20 in PAR 108

Office hours and contact information

**Professor Layton**

**Office:**                              PAR 330  
**Office Hours:**                    Thursdays from 11-11:50 and 4-4:50, and by appt.  
**Phone:**                            221-3585  
**Email:**                              dflayton@u.washington.edu

**Teaching Assistants**

**Benjamin, Glasner, Sections BA and BB**

**Office Hours:**                    Tuesdays 10:30-12:30 in **PAR 124B**, and by appt.  
**Email:**                                bglasner@uw.edu

**Austin Sell, Sections CA and CB**

**Office Hours:**                    Fridays 9:30-11:30 in **PAR 410**, and by appt.  
**Email:**                                arsell@uw.edu

**A NOTE ABOUT QUIZ SECTIONS**

Students enrolled in quiz section CA that meets on Mondays may attend one of the Friday sections prior to the two Monday holidays (1/15/2018 and 2/19/2018), and Monday March 12.

**Course Description**

This course will deepen your understanding of microeconomic theory and develop your skills in applying it to public policy and management issues. This course builds upon the individual choice theory developed in PBAF 516 and how individual choice works in the context of markets. This course will focus on both the problems (and opportunities) that market based exchange affords in

allocating scarce resources in a variety of situations encountered in real world policy analysis and management -- situations in which decision makers need to consider the time profile of costs and benefits, ownership rights may not be complete, information is imperfect, or outcomes are uncertain.

### **Prerequisites**

Successful completion (or approved waiver) of PBAF 516.

### **Course Texts:**

*Microeconomics* 7th Edition, by Jeffrey M. Perloff, ISBN 978-0-13-345691-2, ©2015.

Additional readings that are accessible on-line via the UW library will be listed in a separate supplemental readings document.

### **DISABILITY ACADEMIC ACCOMODATIONS**

If you have an academic accommodation from the UW Disability Resources for Students office, please inform us as soon as possible.

### **COURSE REQUIREMENTS AND GRADING**

Your grade will be based on in-class “surprise” quizzes and two exams as follows:

- 10%: In-class “Surprise” quizzes.
- 40%: In-class Midterm Exam on Thursday February 1.
- 50%: Final Exam on Tuesday March 13 from 6:30 pm to 8:20 pm.

There will be 4-5 in-class “surprise” quizzes. There will not be a quiz on the first class (January 4), the second class (January 11), and not on February 1. These quizzes will contain 2 questions, one relating to previous material (from anytime during the quarter) and one question on more current material. You can choose to do either one or both questions and you will receive the higher grade from either question. Also, I will drop your lowest quiz grade. Finally, these quizzes will be graded such that honest effort will receive a minimum of 3.0.

All exams and quizzes are closed-book and closed-notes. That is, you may only have pencils, pens, a ruler or straight-edge, and use of the calculators that we provide.

Finally, we heartily encourage students to refrain from using computers, phones, and other technological devices during class except as necessary under a UW disability accommodation or other good reason. We have decided to not prohibit technology use in favour of this more permissive policy, but we wish to emphasize that the nature of learning economics requires little in the way of technology. The classroom environment, and we believe your own learning, will be enhanced by unplugging for less than 3 hours a week.

### Problem sets

Working through problems is an essential part of learning economics, so problem sets will be provided. Group work is encouraged. These problem sets will not be graded and answer keys will be available approximately one week after the questions are handed out.

### Tentative Weekly Text Reading Schedule

**TEXT** refers to the course readings from the Perloff text, and **SUP#** refers to supplemental readings -- details of supplemental readings are listed in a separate document. The reading list and schedule is subject to change in order to allow us to spend more or less on time on some topics as is useful, but the exam dates are fixed.

Week #	Class Dates	Topics	Readings
1	1/4	Introduction, Market Failure Efficiency and Exchange, Benefit Cost Analysis, and Discounting	<b>TEXT</b> Ch. 16.1- 16.2, Ch. 10 <b>SUP#</b> 1, 2, 3
2	1/11	Efficiency and Exchange, Benefit Cost Analysis, and Discounting, continued.  Externalities	<b>TEXT</b> Ch. 16.1- 16.2, Ch. 10, Ch.18 <b>SUP#</b> 4-11
3	1/18	Externalities -- regulation  Public Goods	<b>TEXT</b> Ch.18 <b>SUP#</b> 4-11
4	1/25	Public goods  Open access / common property  Comparing Environmental Policies	<b>TEXT</b> Ch.18 <b>SUP#</b> 4, 6
5	2/1	Non-market Valuation  <b>Midterm Exam on Thursday 2/1</b>	
6	2/8	Uncertainty and Choice Under Uncertainty	<b>TEXT:</b> Uncertainty, Ch. 17
7	2/15	Uncertainty and Insurance	<b>BURDEN</b> Ch 16-18 <b>TEXT:</b> Uncertainty, Ch. 17

		Adverse Selection	<b>TEXT:</b> Asymmetric Information, Ch. 19
8	2/22	Adverse Selection and Insurance  Health Care Reform	<b>TEXT:</b> Asymmetric Information, Ch. 19  <b>SUP#</b> 12:17.
9	3/1	Pensions and Mortgages  Begin Contracting, Principal-Agent Problems	<b>SUP#</b> 18:23;  <b>TEXT:</b> Contracts and Moral Hazards, Ch. 20;
10	3/8	Contracting, Principal-Agent Problems; Mortgage/Financial Crisis	<b>SUP#</b> 24:31  <b>TEXT:</b> Contracts and Moral Hazards, Ch. 20
11	<b>Final Exam on Tuesday March 13 from 6:30 pm to 8:20 pm, in <u>SAV 260</u></b>		