90-710 Applied Economic Analysis  
Course Syllabus  
Fall 2017

INSTRUCTOR

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COURSE ORGANIZATION

Class meets for lecture and discussion each Tuesday and Thursday, August 29 through December 7, with the following exceptions: October 17 and 19 (Mini 1 Exam Week and Mid-Semester Break) and November 23 (Thanksgiving). Classes are scheduled at 10:30 and at 1:30. On most Fridays there is an optional review session at 10:30, conducted by a teaching assistant.

The scheduled meeting place for lectures and review sessions is A301 Hamburg Hall.

Teaching assistants will hold regular office hours, conduct review sessions, and assist in grading assignments and exams. TAs will also be available for appointments at your mutual convenience. We will announce office hours and locations during the first week of class. The following students at the Heinz College are serving as TAs:

- Hilary Wolfendale (hwolfend@andrew.cmu.edu), Head TA
- Maria Caballero Sanchez (mcaballe@cmu.edu), co-Head TA
- Nelson Ricardo Laverde Cubillos (nlaverde@andrew.cmu.edu), co-Head TA
- Emily Shawgo (eshawgo@andrew.cmu.edu)
- Michael McGlasson (mmcglass@andrew.cmu.edu)

READINGS

Most readings are from Principles of Microeconomics by Robert Frank and Ben Bernanke. This textbook has been around a while, and the co-authors recently added two more authors, Kate Antonovics and Ori Hefftz. The book is published by McGraw-Hill. The campus bookstore will be selling the 6th edition (2016). If you like, you can save money by buying a used copy of the 5th edition (2013). I may assign chapters of

**COURSE CONTENT AND OBJECTIVES**

Microeconomics is the study of how individuals and firms make choices, and how these choices interact in society. Economics shares with other behavioral sciences the general goal of explaining and predicting human behavior. The distinguishing feature of the economic approach is the emphasis on rational decision making under conditions of scarcity. Because of the central role of markets and the price system in describing the outcomes of individual and firm decision-making, microeconomics is sometimes called “price theory.”

This course is an introduction to the basic concepts and tools of microeconomics. We study how markets work, with an emphasis on analysis of the effects of public policy on public well-being. By the end of this term you should:

- Develop a deep understanding of a small number of core concepts of microeconomics that are essential to good managerial decision making and informed analysis of economic issues.
- Develop an ability to use key economic ideas in evaluating public policies. You should leave this course with a basic understanding of what types of government intervention benefit society. You should also be informed about a number of current public policy issues.
- Develop an ability to critically analyze economic arguments put forth in public policy debates. For instance, you should be able to read and evaluate general economics-related material in the *Economist, New York Times*, or *Wall Street Journal*.

**REQUIREMENTS**

There are no prerequisites for this course. However, we make extensive use of graphs and basic algebra. It is crucial that you be comfortable with these tools. The first review session will go over graphs and simple algebra, and TAs will provide additional help as needed.

You should plan to read the suggested section of the textbook prior to the class meeting. It is a good idea to read about current economic issues in credible news sources, and you are welcome to suggest articles or ideas you would like to discuss.

**GRADING AND ACADEMIC INTEGRITY**

Your grade depends on the extent to which you demonstrate the capacity to solve problems and think critically about microeconomics.
There will be 10 or 11 problem sets. You are encouraged to work in groups on the problem sets (and to visit TAs in groups). While the problems may be worked on in groups, you should hand in your own copy of the answers written in your own words. Problem sets are due at the beginning of class on the specified day. Only assignments that are submitted on time will be graded. However, as an accommodation, the lowest assignment grade will be dropped when calculating your final grade.

The final grade is based on the three exams (25 percent each for the first two exams, 40 percent for the third exam), and problem sets which will be given throughout the semester (10 percent).

As noted in the schedule below, the two mid-term exams are scheduled for September 26 and November 7. The final exam will be during the third week of December, as determined by the dean's office. Students may be excused from taking exams on those dates only if arrangements are made in advance or in the event of an emergency.

A score of 0 will be assigned for an unexcused missed assignment or exam. A grade of 0 will be also be assigned for any assignment or exam that does not conform to University policies regarding academic integrity, and other penalties may also pertain; see the Heinz College Student Handbook).

Students who need to arrange accommodation for tests should contact the Head TA, Hilary Wolfendale; she can help with arrangements.

**CLASS POLICY ON LAPTOPS AND CELL PHONES**

Please do *not* use laptops, cell phones, or other electronic communication devices during class. If an emergency requires that you check an email or text, please slip out the classroom temporarily and then return when you can put the phone away. For those of you who like to have typed notes, I will provide class notes on the course web page.

**THOUGHTS FOR THE UP-COMING SEMESTER**

Your graduate-school experience might prove to be mostly enjoyable and carefree, but it is likely to entail stress as well. The University Provost provides the following thoughts for students. They seem very important to me:

> Take care of yourself. Do your best to maintain a healthy lifestyle this semester by eating well, exercising, avoiding drugs and alcohol, getting enough sleep and taking some time to relax. This will help you achieve your goals and cope with stress.
All of us benefit from support during times of struggle. You are not alone. There are many helpful resources available on campus and an important part of the college experience is learning how to ask for help. Asking for support sooner rather than later is often helpful.

If you or anyone you know experiences any academic stress, difficult life events, or feelings like anxiety or depression, we strongly encourage you to seek support. Counseling and Psychological Services is here to help: call 412-268-2922 and visit their website at http://www.cmu.edu/counseling/. Consider reaching out to a friend, faculty or family member you trust for help getting connected to the support that can help.

TENTATIVE COURSE OUTLINE AND SCHEDULE

Note: Chapters listed below from the Frank and Bernanke textbook are from the 6th edition. If you an earlier edition you may experience some inconsistencies.

- August 29 – September 5. Introductory remarks on the goals and uses of economic analysis, and key ideas about economic decision making. Introduction to supply and demand. Readings: Frank and Bernanke, Chapters 1 and 3.
- September 26. First Exam.
- October 31 – November 2. Externalities and property rights. Readings: Frank and Bernanke, Chapter 10.
- November 7. Second Exam.
- November 16 – 28. Labor economics, human capital, discrimination, and income inequality. Frank and Bernanke, Chapter 12, readings to be selected from the Economic Report of the President, and some additional papers to be distributed.
- November 30 – December 7. Topics in economics of public policy, including environment, health and safety, and public goods. Readings: Frank and Bernanke, Chapters 13 and 14.
- Third Exam scheduled by the dean’s office the week of December 11.