

**PPOL 605 – Markets and Public Policy
Course Outline**

Course:	PPOL 605 Markets and Public Policy	Term:	Fall 2017
Time:	Wednesday 17:00- 20:00	Section:	01
Instructor:	Dr. Kenneth J. McKenzie	Place:	Nexen Technology and Conference Center, DTC (Downtown Campus: 5 th Floor, 906-8 th Avenue SW)
Office:	SS 450 (main campus)	Telephone:	403-220-4605 (main campus)
Office Hours:	By appointment at main campus	E-mail:	kjmckenz@ucalgary.ca

Required Textbook:

N. Gregory Mankiw, Ronald D. Kneebone, Kenneth J. McKenzie, *Principles of Economics*, 5th Canadian Edition, Nelson Education, 2010. **MKM**

Other Textbooks:

Robert S. Pindyck and Daniel L. Rubinfeld, *Microeconomics*, 8th edition, Pearson Education, 2012. **PR**

Supplementary readings and course notes will be posted on D2L during the course.

Desire2Learn:

Desire2Learn (D2L), a web-based course management tool, will be used in the course. Students registered in this course can log in at: <https://d2l.ucalgary.ca/>. Note that D2L features a class

e-mail list that will be used and I will use this list to communicate with you. It is your responsibility to ensure that D2L uses the e-mail address of your choice. The default is your University of Calgary e-mail address.

Course Outline:

This course examines the role of markets in the allocation of resources and the determination of income, and the implications for public policy. The focus will be on microeconomics, with applications to selected public policy issues. Sources of market failure, and the appropriate public policy response to those failures, will also be examined. Students will learn how consumers and producers make decisions, and how they respond to policy initiatives. Some insights from behavioural economics and their implications for public policy will also be explored.

Classes and Readings:

The course will roughly adhere to the following list of topics.

I. Review: The basics of Supply and Demand, Elasticities, Market Equilibrium (Week 0)

A review of what you did in your block week course with Dr. Kneebone. I will not cover these chapters in class, but you should review them.

MKM Chapters 1, 2, 3, 5
PR Chapters 1 and 2

II. Preliminaries (Week 1)

What do economists do?

Applications: The Peltzman Effect – Do seatbelts save lives?; Cross-walk countdown signals.

III. Theory of the Consumer (Week 2)

Indifference curves, budget lines, optimality conditions

MKM Chapter 21
PR Chapter 3, pp. 67-100
Applications: Cash vs. in-kind transfers; The deadweight loss of Christmas and the economics of gift giving.

IV. Demand curves, income and substitution effects, market demand (Weeks 3,4)

MKM Chapter 21

PR Chapter 4, pp. 111-136; students with a mathematical background may want to read 149-157 (not required)

Applications: From consumer theory to demand curves; Labour supply (sales taxes vs. labour taxes); Savings (TFSA vs RRSP, behavioural economics: inconsistent time discounting and “present biasedness”)

V. Theory of the Firm (Weeks 5, 6)

Producer Theory

MKM Chapter 13

PR Chapter 6, Chapter 7, pp. 229-261

Profit Maximization and Competitive Supply

MKM Chapter 14

PR Chapter 8

Applications: The cost of capital, economic profits and “economic value added”

VI. Competitive Equilibrium Re-examined (Weeks 7, 8)

Perfect Competition and Efficiency, consumer and producer surplus

MKM Chapters 7 and 8

PR Chapter 9

Applications: The market for kidneys; The economics of Uber; Minimum wages; The deadweight loss of taxation (behavioural economics: tax salience)

VII. Market Failure I: Lack of Competition (Weeks 9)

Monopoly

MKM Chapter 15

PR Chapter 10, pp.357-382

VIII. Midterm (Week 10)

IX. Market Failure II: Externalities and Public Goods (Weeks 11, 12)

Externalities

MKM Chapter 10

PR Chapter 18, pp. 661-687

Applications: Carbon taxes in B.C. and Alberta (revenue neutrality).

Public Goods and the Commons

MKM Chapter 11

PR Chapter 18, pp. 687-696

Applications: Research and Development as a public good

X. Income Distribution and Inequality (Week 13)

MKJ Chapter 20

Applications: The elasticity of taxable income; social mobility and education.

Grade Determination:

Four Assignments	40%
Mid-term	20%
Final Exam	40%

Further instruction on methods of submission and due dates will be provided in class and on D2L. Be sure to check on D2L each week for readings and assignments.

The final exam will be comprehensive and will cover all course readings and class discussions. Instructions and a schedule for the assignments will be posted on Desire2Learn.

Letter grades as described in the Faculty of Graduate Studies Calendar (see p.19) will be given for all elements of grade determination noted above. The course grade will be determined based on a weighted average of those grades according to the percentages shown above. In the event that elements are marked on a numerical (percentage) basis, they will be converted to letter grades. As a guide to determining standing, these letter grade equivalences will generally apply:

A+	97-100	B	75-79	C-	60-62
A	90-96	B-	70-74	D+	55-59
A-	85-89	C+	67-69	D	50-54

Important Notes:

- The School of Public Policy expects the highest standards of professional conduct by students, faculty and staff. Abusive or disrespectful behavior will not be tolerated. This includes any expression of prejudice in any of its forms.
- It is the student's responsibility to be fully aware of the academic regulations outlined in the University Of Calgary Faculty Of Graduate Studies Calendar. Provisions regarding Student Misconduct (plagiarism, cheating and other academic misconduct) will be strictly enforced. Please review the University of Calgary's Regulations on Plagiarism,

cheating, and Other Academic Misconduct, online:

<http://www.ucalgary.ca/pubs/calendar/current/k-2.html>

<http://www.ucalgary.ca/pubs/calendar/current/k-5.html>

- Students seeking reappraisal of a piece of graded term work (term paper, essay, etc.) must discuss their work with the Instructor *within fifteen days* of the work being returned to the class. If not satisfied the student shall immediately take the matter to the Director of the MPP program or the Academic Director of the School and ask for a ruling and written reassessment. Should the student wish a further appeal it must be addressed to the Director and Palmer Chair of the School within 15 days of the ruling by the MPP Director or the Academic Director. For further information see the School of Public Policy Student Appeals Process at: <http://www.policyschool.ca/wp-content/uploads/2017/06/Student-Academic-Appeals.pdf>
- Examinations will not be given prior to the scheduled date.
- Students seeking an accommodation based on disability or medical concerns should contact Student Accessibility Services; SAS will process the request and issue letters of accommodation to instructors. For additional information on support services and accommodations for students with disabilities, Visit www.ucalgary.ca/access/. Students who require an accommodation in relation to their coursework based on a protected ground other than disability should communicate this need in writing to their Instructor. The full policy on Student Accommodations is available at: <http://www.ucalgary.ca/policies/files/policies/student-accommodation-policy.pdf>
- All material used in this course is for the sole use of the individual and should not be recopied in either print or digital format. For copyright guidelines, including those relating to photocopying and electronic copies, please refer to the Association of Universities and Colleges of Canada (AUCC) fair dealing guidelines. <http://library.ucalgary.ca/copyright/fair-dealing>
- The University of Calgary complies with the requirements of the *Freedom of Information and Privacy Act*. The University's policy on the sharing of student information with third parties can be found here: <http://www.ucalgary.ca/legalservices/files/legalservices/pg-pi-of-students-to-3rd-parties.pdf>. The University's policy on the sharing of student information with the subject can be found here: <http://www.ucalgary.ca/legalservices/files/legalservices/pg-pi-of-student-to-subject.pdf>
- In the event of an emergency, students may be required to evacuate the building. If evacuation is ordered, follow these procedures:
 - Stay calm, do not rush, and do not panic.
 - Safely stop your work.
 - Gather your personal belongings if it is safe to do so. (keys, purses, jackets, cell phones, etc. It may be hours before you are allowed back in the building.)
 - If safe, close your office door and window, but do not lock them.
 - If directed by wardens, follow their instructions.
 - Use the closest emergency exit. Do not use the elevator.
 - Proceed to the designated Emergency Assembly point in front of the Holiday Inn on 8th avenue to the west of the Downtown Campus.

- Do not re-enter the building or work area until you have been advised by emergency responders that it is safe to do so.

Graduate Students' Union Vice-President, Academic

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Emergency Assembly Point

Holiday Inn Lobby (weather permitting)

1020 8th Avenue SW

Calgary, Alberta T2P 1J2

Or remain at nearest exit point

Safewalk / Campus Security: 220-5333

