

GSPP 820/ Economics 401
Microeconomics for Policy Analysis
Winter 2006

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Description:

This course covers concepts in applied microeconomics that are relevant to public policy analysis. Topics will include the theory of the consumer, theory of the firm, market organization and market failure.

Requirements:

There will be two midterm examinations worth 50 % and a final examination also worth 50 %.

Texts:

- David L. Weimer and Adrian R. Vining, *Policy Analysis: Concepts and Practice*, 4th edition, Prentice Hall. (WV)
- Hugh Gravelle and Ray Rees, *Microeconomics*, 3rd edition, Prentice Hall. (GR)

A good reference text for the mathematical techniques used in the class is Alpha Chiang, *Fundamental Methods of Mathematical Economics*, McGraw Hill, various editions. I have put two copies of the third edition on reserve in the library.

Course Outline:

1. Review of Optimization and Constrained Optimization
Chiang, Chapters 11,12
2. Consumer Theory
 - Utility Maximization GR Chapter 3
 - Duality GR Chapter 3
 - Applications of Consumer Theory GR Chapter 3
3. Theory of the Firm
GR Chapters 5,6,7
4. Competitive Markets
GR Chapter 8
5. Input Markets
GR Chapters 10, 11

6. General Equilibrium and Welfare
 - Partial Equilibrium WV Chapter 4
 - General Equilibrium GR Chapter 12 Sections E,F
 - Welfare Economics WV Chapter 7, GR Chapter 13

7. Market and Government Failure
 - Market Failure WV Chapters 5-7 GR Chapter 14 Sections A,B,C
 - Government Failure WV Chapters 8,9 GR Chapter 14 Section D

8. Other Rationales for Government Intervention
WV Chapter 6

9. Oligopoly and Game Theory GR Chapters 15, 16

10. Principal Agents, Contract Theory and the Firm

11. Applications
 - Female labour force participation- readings to be assigned
 - Strategic Petroleum Reserve WV Chapter 17
 - Lead Standards for Gasoline WV Chapter 18
 - Banning Smoking in Bars and Restaurants – readings to be assigned