

# JSGS 820: Microeconomics for Public Policy

	UNIVERSITY OF SASKATCHEWAN CAMPUS	UNIVERSITY OF REGINA CAMPUS
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OFFICE LOCATION:		CL244
TERM:		Fall 2021
ROOM:		CL345
DATE AND TIME:		Tue/Thur 1 – 2:15pm

The syllabus for this course is comprised of this document plus the document titled “JSGS Common Syllabus 2021-22.”

## INTELLECTUAL PROPERTY ACKNOWLEDGEMENT

This course was developed by Viktoriya Galushko.

## CALENDAR DESCRIPTION

This course is designed to familiarize students with some models of advanced microeconomic theory and teach how these models can be used to address practical problems in the policy world. In particular, we will look at how individuals make choices and how this information can be used by policy makers in designing and implementing welfare programs. We will look at classic policy issues in competitive markets such as rent controls, taxes and minimum wages. We will discuss market failures and the role of the government to correct for those.

## LEARNING OBJECTIVES

JSGS has developed a set of three competencies that all graduates will be able to demonstrate. The specific readings, assignments and activities in JSGS 820 will:

- Provide students with the knowledge of core concepts and models in the field of microeconomics
- Develop students’ ability to apply the knowledge acquired to the analysis of real world microeconomic phenomena and evaluation of microeconomic policy
- Enhance students’ abilities to solve and interpret stylized problems based on microeconomics models

## COURSE CONTENT AND APPROACH

The course covers a range of topics in Microeconomic theory. It is an advanced course in Microeconomics, therefore, students are expected to have a strong background in Mathematical Economics.

## RECOMMENDED READINGS

(V) Varian, Hal. R. *Intermediate Microeconomics: A Modern Approach*. 8th Edition, New York, W.W. Norton & Company, 2010.

(F) Friedman, Lee S. *The Microeconomics of Public Policy Analysis*. Princeton University Press, 2002.

## COURSE OUTLINE

### MODELS OF INDIVIDUAL CHOICE IN POLICY ANALYSIS

1. The theory of individual choice

**Readings:** (V) Chapter 2 – 7, (F) Chapter 3 (page 37 – 54)

2. Income effects, substitution effects and demand.

**Readings:** (F) Chapter 4

3. Applications of the consumer model in policy analysis

✓ The theory of time allocation: the labour-leisure choice; analysis of Welfare Programs (Food stamp program, basic welfare program, earned income tax credit program); welfare system in Canada (EI, social assistance)

**Readings:** (V) Chapter 9; (F) Chapter 4 (page 79 - 113)

**Leonesio, M.** (2988). "In-kind Transfers and Work Incentives", *Journal of Labour Economics* 6(4): 515-529 (available on URcourses)

**R. Moffitt** (1992) "Incentive effects of the U.S. welfare system," *Journal of Economic Literature* 30:1-61 (available on URcourses)

**Christofides, L., Stengos, T., and Swidinsky, R.** (1997). "Welfare participation and labour market behavior in Canada". *Canadian Journal of Economics* 30(3): 595-621

Additional resource: Welfare programs in Canada

[http://www.hrsdc.gc.ca/eng/publications\\_resources/social\\_policy/sasr\\_2008/page00.shtml](http://www.hrsdc.gc.ca/eng/publications_resources/social_policy/sasr_2008/page00.shtml)

✓ Incentives to work under the Canada Pension Plan

**Readings:**

**Milligan, K. & Schirle, T.** 2008. "Improving the labour market incentives of Canada's public pensions", *Canadian Public Policy* 34(3): 281-303

**Debate #1: Should the government cut back on welfare measures or should they be more generous? Should the government create public works projects instead of welfare?**

4. Benefit-Cost Analysis: Measures of consumer benefits

**Readings:** (V) Chapter 14; (F) Chapter 6

**Peltzman, S.** (1973). "An Evaluation of Consumer Protection Legislation: The 1962 Drug Amendments", *Journal of Political Economy* 81(5): 1049-1091 (available on URcourses)

#### POLICY ASPECTS OF PRODUCTION AND SUPPLY DECISIONS

5. Producer costs and the decision to produce

**Readings:** (V) Chapter 18, 19, 21, 22; (F) Chapter 9, 10

6. From individual to industry supply

**Readings:** (V) Chapter 23

7. **VERY QUICK REVIEW:** Tools of demand and supply

- Determinants of demand, elasticity concepts
- Determinants of supply, elasticity concepts
- Market equilibrium
- Competition and Efficiency

**Readings:** (V) Chapter 15-16

**Midterm: October 21**

#### MARKET STRUCTURE AND GOVERNMENT POLICY

8. Monopoly, Natural monopoly, and Antitrust regulation in Canada

**Readings:** (V) Chapter 24-27, (F) Chapter 18

9. Factor markets - monopsony: Analysis of minimum wage legislation

**Readings:** (V) Chapter 26

Mascella, Allison; Teja, Shahzia; Thompson, Brennan S. (2009) Minimum Wage Increases as an Anti-poverty Policy in Ontario. *Canadian Public Policy* 35(3): 373-379

**DEBATE #2: Are monopolies bad? Antitrust Law – good or bad?**

10. Oligopoly

11. Public goods and externalities

**Readings:** (V) Chapter 34, 36; (F) Chapter 16, 17

**Nic Rivers and Mark Jaccard.** 2010. Intensity-Based Climate Change Policies in Canada. Canadian Public Policy 36(4), pp. 409-428

**DEBATE #3: Should University education be free?**

**DEBATE #4: Should healthcare be publicly provided?**

12. Uncertainty and Public Policy

**Readings:** (F) Chapter 7; (V) Chapter 12

13. Imperfect information and institutional choices: moral hazard and adverse selection

**Readings:** (V) Chapter 37; (F) Chapter 7 (page 254 – 263)

*Akerlof, G.* “The market for lemons: quality uncertainty & the market mechanism”, the Quarterly Journal of Economics 84: 488-500 (available on URcourses)

*Supplementary readings:* (F) Chapter 20

**DEBATE #8: Should car insurance be mandatory and provided by a government organization like SGI?**

14. General equilibrium and welfare analysis

**Readings:** (V) Chapter 32, 33, 34;

## **ASSIGNMENTS**

**Late assignments WILL NOT BE ACCEPTED.** Only documented special circumstances will exempt you from this rule. If you know in advance that you will not be able to submit the assignment on time and thus avoid penalty, you must notify the Instructor before it is due and hand it in early. If you have a documented, *acceptable* medical/personal reason for missing an assignment, you may shift the weight of the assignment to the final.

## EVALUATION

- ✓ Problem sets – 25%
- ✓ 2 policy debates (written work and presentation) – 20% (10% each)
- ✓ Midterm exam (**October 21, 2021**) – 15%
- ✓ Final exam (**December 9, 2021 starting at 2pm**)– 40%

Each student should choose a topic for policy debate<sup>1</sup> and write a brief essay including some background information (e.g. evolution of the policy) and the arguments for the issue at hand and the arguments against.

The policy debate presentation should take about 12 minutes (for both sides of the argument) followed by the question-answer period (if time permits).

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<sup>1</sup> The topics are provided above in the detailed course outline