

Economic Analysis for International and Public Affairs I
SIPA U6400. Fall 2009
Columbia University

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Office Hours (Sign-in)

W-R 4:00pm-6:00pm

Courseworks

This class uses courseworks. At the beginning of the second week you will find a section 000 of this class on your courseworks. Students from all sections should check the 000 course page regularly for updates. Problem sets, solutions, recitation material and readings will be posted there.

Discussion Board

If you have a question on any of the topics of the course, post a note on the discussion board of courseworks. One of the teaching team will reply.

Objectives

The objective of this course is to provide the students with the analytical tools used in economics. This course is the first part of a one-year sequence and focuses on microeconomic theory. At the end of the semester you will be able to understand the basic conceptual foundation of microeconomics and how microeconomic analysis can be used to examine public policy issues. The approach of the course is analytical, but you will also be required to discuss concrete applications. Finally one objective of the course is to serve as an introduction for more advanced or specialized economic classes.

The Teaching Team¹

Name	Contact	Office Hours
Emanuele	eg198@columbia.edu	W-R 4:00pm-6:00pm
Ann-Marie TA	ac2924@columbia.edu	TBA
Henan TA	hx2122@columbia.edu	TBA
Ryan TA	wrh2104@columbia.edu	TBA
Will TA	jwb2139@columbia.edu	TBA
Cecily PA	cad2150@columbia.edu	-
Katia PA	ei2146@columbia.edu	-
Sukit PA	ss3476@columbia.edu	-
Tolga PA	tt2333@columbia.edu	-
Anjali Tutor	ak2721@columbia.edu	By Appointment
Rabiha Tutor	rys2108@columbia.edu	By Appointment

Differences between U6400 and U4200

The level of the two courses is similar (in fact, both courses recommend the same textbook). However, U6400 is more calculus based, the pace of the course is faster and the workload is heavier. If you are not comfortable with calculus and rigorous logical reasoning you might find this course painful and not learn much.

¹The TAs will post their office hours on courseworks as soon as possible

Conversely, if you are comfortable with math, you might find U6400 easier and more instructive, because many economic arguments are easier to understand with the use of some math. The math background required for U6400 was covered in the math camp (see also the online math tutorial, U4623). I will present in class any further mathematical concept used in the course.

Requirements

You must attend all classes and recitations, work on weekly problem sets, participate in a group project and take the midterm and final exam.

Recitations

Section	Time	Place	TA
Section 1a	R 9:00am-10:30am	410 IAB	Ann-Marie
Section 1b	R 11:00am-12:30am	405 IAB	Ann-Marie
Section 2a	F 9:00am-10:30am	413 IAB	Henan
Section 2b	F 10:45am-12:15pm	410 IAB	Henan
Section 3a	F 12:30pm-2:00pm	410 IAB	Ryan
Section 3b	F 3:10pm-4:40pm	410 IAB	Ryan
Section 4a	F 9:00am-10:30am	404 IAB	Will
Section 4b	F 2:00pm-3:30pm	407 IAB	Will

Problem Sets

Starting from the second week, you will be assigned a weekly problems set, available on courseworks. You are encouraged to work in group (composed of not more than 5 students). If you work in a group, submit only one problem set for each group. If you have troubles forming a group, please send me an e-mail and I will assist you in this process. The problem sets will be graded by assigning each problem set a score of 1, 2 or 3. A score of 2 corresponds to an honest and full effort even if there are some mistakes. A score of 3 corresponds to a perfect or near perfect set of answers. The problem sets are due on Wednesday at 12:00pm, in the mailboxes 1 or 13 on the 6th floor (near the Student Affairs office).

Group Project

Students should form groups of four/five maximum; the TA will assist those students who are unable to form their own group. Each group is responsible for finding an article from a general-interest newspaper or magazine from the calendar year 2009, and writing an economic analysis of the content of the article. The goal is to use the real world example provided by the article to master the analytical tools acquired in this class. Managing to shed light on the issue being discussed is a plus. Each group will write 2 pages maximum summarizing the content of the article and presenting the economic analysis (plus 1 additional page including all figures and charts necessary). The document is due on December 14th before noon (mailboxes 1 or 13 on the 6th floor).

Exam Dates

The midterm will take place on Friday, October 23rd 9:00am-12:00pm.

The final will take place on Friday December 18th 9:00am-12:30pm (to be confirmed by the registrar).

Grading

The grade for the course is a weighted average of four grades (the two exams, the problem sets and the group project). The weights are 45% for the final, 30% for

the midterm, 10% for the highest grade between midterm and final and 15% for the highest grade between problem sets and the group project. Letter grades will be curved according to the overall performance of all sections. Failure to complete the final exam will result in a failing grade. Failure to complete the midterm or a problem set will lead to zero being assigned for that evaluation. There are no make-up exams or alternative dates. Failure to participate in the group project will lead to a full letter reduction in the grade.

Textbook and Other Readings

The textbook used as a general reference for this class is Pyndick and Rubinfeld (PR), *Microeconomics*, available at the Columbia University bookstore. Other readings will be made available on-line.

Outline of the course

- Topic 1. Consumer Theory. (PR chapters 3 and 4)
Budget constraint-Preferences and utility-Optimal choice-Comparative statics-Effects of policies on consumer choice-Income and substitution effect-Applications-Individual demand function
- Topic 2. Producer Theory. (PR chapters 6,7 and 8)
Production functions-Isoquants-Isocosts-Cost minimizing choice- Cost function-Profit maximizing quantity-Supply function
- Topic 3. Partial Equilibrium. Demand and Supply. Welfare Analysis of Competitive Markets. (PR chapters 2 and 9)
From individual demand to market demand-Elasticity of demand-From individual supply to market supply-Elasticity of supply-Equilibrium and comparative statics-Welfare properties of equilibrium-Welfare implications of policies-Applications
- Topic 4. Market Failures I: Externalities and Public goods. (PR chapter 18)
Positive and negative externalities-Which implication for public policies? Property rights and Coase theorem-Common property resources and public goods-Applications
- Topic 5. Extensions: Dealing with Uncertainty and Time² (PR chapters 5 and 15)
Dealing with uncertainty-Lotteries, expected value and expected utility-Attitude towards risk-Insurance-Applications-Choice over time- Discounted present value-Real and nominal interest rate-Saving and consumption-Applications
- Topic 6. Market Failures II: Asymmetric Information (PR chapter 17)
Introduction to economics of information-Adverse selection and moral hazard-Applications
- Topic 7. Market Failures III: Non Competitive Markets. (PR chapters 10, 11, 12 and 13)
Market power-Monopoly-Oligopoly-Monopoly pricing-Introduction to game theory

²Time permitting.

- Topic 8. General Equilibrium and Welfare Theorems. (PR chapter 16)

Difference between partial and general equilibrium-Exchange economies-Welfare theorems-Economies with production-The production possibility frontier

Topic:

Economic Analysis for International Affairs U6401

Syllabus:

Economic Analysis for International Affairs U6401 Syllabus for Spring 2010

Helios Herrera
Office: 1403 IAB
Email: hjh2108@columbia.edu
Office Hours: TBA

Assistants:

4 TAs: Armin, Garrett, Isha and Jonathan. Head TA: Armin
4 PAs: Jaimie, Joshua, Julio and Mark.
2 Tutors: Beth and Drew
All office hours will be posted on the *Courseworks* website on Section 0.

Recitations:

Recitation sections are weekly classes designed to assist students with the current homework assignment. Recitation times are posted on *Courseworks* on Section 0.

Textbooks:

Lecture notes will be posted on the *Courseworks* website on Section 0.
For a more general reference use the following books. The books are less advanced than the lecture notes:
Macroeconomics: by Abel, Bernanke & Croushore (ABC).
Microeconomics: An Integrated Approach by Besanko and Braeutigam (BB) (for topic 2 only).

Requirements:

The grade for the course is a weighted average of 3 grades (two exams and the homework average). The weights are 40% for the final, 35% for the midterm, and 25% for the homework average. Groups of up to a maximum of 4 students should submit homework assignments together. Cheating on any exam will result in a failing grade for the exam in question.

Exams:

The midterm exam will be given on Friday, March 5th at 1-4 pm (topics covered: 1, 2, 3).
The final exam will be given on Friday, May 7th at 1-4 pm (topics covered: 4, 5, 6).
Inform the head TA by the second week of classes if you cannot be present at an exam.
Otherwise, make-up exams are available only in the cases of medical or family emergencies.

Course Outline:

Extensive lecture notes will be available for each of the topics outlined below:

1.	Introduction to the Macroeconomy: Measurement Issues
	<p><i>National income accounting: the measurement of GDP and GNP. (ABC ch 2, secs 2.1-2.2)</i> <i>Saving and wealth: measurement of and uses of savings. (ABC ch 2 sec 2.3)</i> <i>The Government Budget. (ABC ch 15 sec 15.1)</i> <i>The Balance of Payments. (ABC ch 5 sec 5.1)</i> <i>Inflation and interest rates: Real vs nominal values. (ABC ch 2 sec 2.4-2.5)</i> <i>Unemployment. (ABC ch 3 section 3.5)</i></p>
2.	The Labor Market
	<p><i>Production function. (ABC ch 3, sec 3.1)</i> <i>Supply of labor: the labor-leisure trade-off. (BB ch 5, sec 5.6 and ABC ch 3, sec 3.3)</i> <i>Demand for labor. (BB ch 7, sec 7.3, ABC ch 3 sec 3.2)</i> <i>Labor market equilibrium. (ABC ch 3, secs 3.4-3.5)</i></p>
3.	The market for Goods in Closed and Open Economies
	<p><i>Saving versus consumption: the Fisher diagram, the desired level of savings and the life-cycle hypothesis. (ABC ch 4 sec. 4.1 and appendix to chapter 4)</i> <i>Investment: the desired capital stock. (ABC ch 4 sec 4.2)</i> <i>The goods market equilibrium in the closed economy. (ABC ch 4 sec 4.3)</i> <i>The goods market equilibrium in the open economy. (ABC ch 5 secs 5.2 to 5.4)</i></p>
4.	Asset Markets
	<p><i>Money Supply and the Banking System. (ABC Ch.7 sec. 7.1, Ch.14, sec. 14.1 & 14.2)</i> <i>Velocity and Quantity Theory of Money. (ABC Ch.7, sec. 7.3)</i> <i>Interest Rates, Inflation and Seignorage.</i> <i>Demand for Real Money Balances. (ABC Ch.7, sec. 7.3)</i> <i>Asset Market Equilibrium: short-run versus long-run. (ABC Ch.7, sec. 7.4)</i> <i>Term Structure of Interest Rates, risk and liquidity.</i> <i>Monetary growth and long-run Inflation. (ABC Ch.7, sec. 7.5 & Ch.12.3)</i></p>
5.	Business Cycle Theory
	<p><i>History of Business Cycles. (ABC Ch. 8)</i> <i>IS-LM Model. (ABC Ch.9, sec. 9.2 & 9.4)</i> <i>Price Adjustments: Classical view versus Keynesian view. (ABC Ch.9, sec. 9.5)</i> <i>Monetary Policy and Fiscal Policy in the Keynesian Model. (ABC Ch.11, sec. 11.3)</i> <i>Aggregate Demand and Aggregate Supply: Keynesians versus Classical. (AB Ch.9, sec. 9.6)</i> <i>Basic and Expectations Augmented Phillips Curve. (AB Ch.12, sec. 12.1)</i></p>
6.	Open Economy
	<p><i>Nominal and Real Exchange Rates, Purchasing Power Parity (PPP), Covered and Uncovered Interest Parity. Open Economy IS-LM Model. (ABC Ch.13, sec. 13.1, 13.2, 13.3 & 13.4) Flexible Exchange Rate. Fixed Exchange Rates: Devaluation and Currency Crises. (ABC Ch.13, sec. 13.5)</i></p>

