Department of City and Regional Planning  
Fall, 2015  

Microeconomics for Planning Policy  PLAN 710  
(3 Credits)  

Instructor: Professor Meenu Tewari  
Class meets T, R: 9:30-10:45  
Room 207, New East  
Room: New East 102  
Phone 962-4758  
Office hours: T: 1:00 – 3:00  
Email: mtewari@unc.edu  
or by appointment  

Teaching Assistant: Helena Cardenas: helenacd@live.unc.edu  
Office hours: TBA; location: Room 405  

Recitation: Fridays, 12:20-1:35, Room 102  

COURSE OBJECTIVES:  
PL 710 is designed to introduce students to the basic principles of microeconomics with an emphasis on applying them to areas of interest to planners. We will examine how households, firms, and governments make decisions about the use and allocation of resources, how market forces shape the outcomes of those decisions; the strengths and limits market solutions and the role of public policy in shaping market outcomes, especially with respect to issues of equity and social welfare. An attempt will be made to use examples throughout the course that tie into other parts of the DCRP curriculum—such as spatial analysis, economic development, housing, transportation decisions, environmental and land-use policies.  
The goal of the course is to enable you to manipulate the basic microeconomic concepts such as demand and supply dynamics, elasticity, consumer choice, opportunity cost, pricing, production decisions, taxes and subsidies and apply them to specific planning problems.  

COURSE ORGANIZATION AND REQUIREMENTS:  
The class is run as a combination of lectures, class discussions, and questions and answer sessions. All students are required to come to class having read all the assigned readings. This is essential for you to get the most out of the course.  
The pace of the class is determined, in part, by the background of students and their prior exposure to economic analysis. In a class such as ours it is not unusual to have students with very varied backgrounds in economics. If the pace is too fast for you, or too slow for you, it is very important that you let me, or the TAs, know as soon as possible so that we can work together to find a solution that works for all.  
In addition to regular class meetings, the TAs will conduct a weekly recitation session each Friday from 12:30 to 1:45. The purpose of these sessions is to review the material covered in class, bring in
new examples to clarify ideas and illustrate key concepts, and to review the problem sets. You are strongly urged to attend. One early recitation meeting will include a half hour math review.

You will be assigned to study groups to work through problem sets and assignments, but each student must turn in their own separate assignment and all grades will be individual (except for group assignments). While groups are an excellent learning tool, be sure that you are completing the assignments based on your own understanding of the material.

The honor code strictly applies. The UNC honor code states: “It shall be the responsibility of every student at the University of North Carolina at Chapel Hill to obey and to support the enforcement of the honor code, which prohibits lying, cheating, or stealing when these actions involve academic processes or University, student or academic personnel acting in an official capacity.” Please refrain from consulting past assignments or exams.

ASSIGNMENTS

Students will be assigned weekly problem sets of which your nine best will count towards your grade. In addition, there will be one short in-class quiz, a mid-term and a final exam. The final exam will be held on the last day of classes.

The short quiz will be closed book; The mid-term and final will both be open book, open notes and 75 minutes long.

Assignments must be turned in at the start of class on the due date. Late assignments will not be accepted. Exceptions will be made if there is an emergency.

I am interested in your ongoing feedback on how useful the assignments and quizzes are as learning tools, and am open to making appropriate revisions if needed. So I look forward to hearing from you.

GRADING POLICY:

Grades for the course will be based on the following weights:

<table>
<thead>
<tr>
<th>Assignment Type</th>
<th>Percentage of Grade</th>
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<tbody>
<tr>
<td>Weekly problem sets</td>
<td>30%</td>
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<tr>
<td>Quiz</td>
<td>10%</td>
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<tr>
<td>Mid-term</td>
<td>30%</td>
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<tr>
<td>Final exam</td>
<td>30%</td>
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Generally, a P indicates satisfactory performance on all course objectives. An H indicates superior performance, over and above the mastery of basic concepts. A grade of P- or lower indicates that some course objectives have not been mastered.
Assignment and exam schedule:

<table>
<thead>
<tr>
<th>Assignment</th>
<th>Handed Out</th>
<th>Due in Class</th>
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<tbody>
<tr>
<td>Assignment 1</td>
<td>8/25 (T)</td>
<td>9/1 (T)</td>
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<tr>
<td>Assignment 2</td>
<td>9/1 (T)</td>
<td>9/8 (T)</td>
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<td>Assignment 3</td>
<td>9/8 (T)</td>
<td>9/15 (T)</td>
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<td>Assignment 4</td>
<td>9/15 (T)</td>
<td>9/22 (T)</td>
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<tr>
<td>Assignment 5</td>
<td>9/22 (T)</td>
<td>9/29 (T)</td>
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**Quiz [75 minutes in class]**

| Assignment 6 | 9/30 (T) | 10/6 (T) (Not graded; Answers posted on 10/5-6) |

**Mid-Term Exam [75 minutes in class]**

| Assignment 7 | 10/13 (T) | 10/20 (T) |
| Assignment 8 | 10/20 (T) | 10/27 (T) |
| Assignment 9 | 10/27 (T) | 113 (T) |
| Assignment 10 | 11/3 (T) | 11/10 (T) |
| Assignment 11 | 11/10 (T) | 11/17 (T) |
| Assignment 12 | 11/17 (T) | 11/24 (T) |

**Final Exam [75 minutes in class]**

<table>
<thead>
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<tr>
<td>Assignment 1</td>
<td>12/1 (T) (Open book)</td>
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REQUIRED TEXT:

Robert S. Pindyck and Daniel L. Rubinfeld (PR) *Microeconomics*, (Sixth or any other Edition), Prentice Hall. Available in the Student book store. (Second hand copies of earlier editions will also suffice)

Additional recommended readings will be posted on Sakai or circulated in class. I may bring in case material that is relevant for discussion occasionally.

You are also requested to bring in newspaper articles and other information pertinent to our class topics and themes for discussion in class. Links can be posted on Sakai for everyone’s benefit. Within the two weeks of class I will assign each of you to groups and prepare a schedule for each group to share relevant news material in class.
READINGS AND CLASS SCHEDULE

Please note:

1. We will not be covering every chapter in the text book; only the ones specified below.
2. Relevant sections within each chapter are indicated below. You are encouraged to read beyond the assigned sections, but you will be accountable only for the assigned sections.
3. Some sessions, and the pace of coverage, may be modified based on student performance. As a result we may occasionally depart from the schedule noted below.
4. Guest speakers will be invited to discuss special applied issues at key points in the course.

August 18 (T): Introduction: Getting a Sense of the Market

PR, Chapters 1

Suggested: Henry Jacoby, and Robert S. Pindyck Lecture “Notes on Markets and Market Definition” (Sloan School of Management, revised July 1996)

Optional Reading:


PART I: Demand, Supply, Consumer Theory

August 20, 25 (R, T): The laws of Supply and Demand: Shifts and Movements

PR Chapter 2

Economist Article – to be posted on BB

August 27, September 1 (R, T): Supply and Demand Dynamics: Elasticity, Durability and Revenue

PR Chapter 2, pp 32 - 46 and pp. 117 - 122 in Chapter 4


September 3, 8 (R, T): Behind the Demand Curve: Marginal Utility, Indifference Curves and Budget Constraints

PR, Chapter 3 and Sections 4.1 and 4.2 of Chapter 4
September 11, 15 (R, T): Utility Maximization and Consumer Choice: Revealed Preferences; Substitution and Income Effects, the Role of Incentives in Public Policy

PR: Rest of Chapter 4

September 17 (R): Prof. Roberto Quercia (Application of microeconomics principles to Housing)


September 22, 24 (T, R): Utility and Consumer Choice – Case Analysis; Uncertainty and Consumer Behavior

PR: Chapter 4: Network Externalities
PR: Chapter 5: Uncertainty and consumer behavior – reading selections to be announced in class.

September 29 (T): Quiz [in class] CLOSED BOOK

October 1 (R): Guest Speaker, TBA: Transportation Economics (application of microeconomic principles to Transportation)

October 6 (T): Midterm (in class, open book)

PART II: Theory of the Firm and Production

October 8, 13 (R, T): Technology, Productivity, and Costs

PR. Chapters 6 and 7

October 15 (R): Fall Break – No Class

PART III: Welfare Economics: The Economic Role of Governments, Planning Regulation and Market Failure

October 20, 22 (T, R): Profit Maximization, Economies of Scale and Scope

PR, Chapter 8, Chapter 9, and parts of Chapter 4; See page numbers below:

PR 112-115, Chapter 4;
Background Case: David A. Hounshell, From the American System to Mass Production: 1800-1932, Chapter 6. pp. 280-281, Chapter 8

**October 27, 29 (T, R): Long Run Equilibrium, Economics of Taxes and Subsidies**

pp. 313-320, Chapter 9

Optional Reading:


**November 3 (T): Consumer Surplus, Producer Surplus and the Role of Government**

PR, Section 4.4 (p. 122-126) and rest of Chapter 9.

Case Analysis - Taxes and Matching Grants


**November 5 (R): Monopoly (monopolistic competition, natural monopolies)**

PR Chapter 10 (10.1-10.4; Sections 10.5-7 optional)

**November 10 (T): Pricing with Market Power**

PR Chapter 11
PR Chapter 12 pp. 436-443; 453-456

**November 11 (R): Market Failures, Public Goods and Externalities – I**

PR Chapter 18, Section 18.1


Optional Reading:


PR Rest of Chapter 18.


Optional reading:


November 24 (T): Basics of Cost Benefit Analysis (OR Game Theory)

PR Chapter 15


Class Exercise (time permitting): Game theory exercise on economic incentives and the fiscal competition between states

November 26 (R): THANKSGIVING – NO CLASS

December 1 (T): FINAL EXAM – In Class; Open book