

Department of City and Regional Planning

**Microeconomics for Planning Policy PLAN 710  
(3 Credits)**

Instructor: Professor Meenu Tewari  
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Class meets T, R: 9:30-10:45  
Room: New East 102  
Office hours: T: 11:30-1:00

**Recitation: Fridays, 12:30-1:45; Room 102**

**NOTE:** *There will be no recitation on August 26th.*

*The recitations for September 2, 9 and 16 will be held from 2-3:15 pm in the Reading Room*

*All subsequent recitations will be held at the regularly scheduled time of 12:30-1:45 on Fridays in Room 102.*

*Please make a note of these changes.*

**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, you must make sure that you are not completing your assignments based on someone else's understanding.

**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 do not look at past years' 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:

Weekly problem sets:	28% of the grade
Quiz:	7%
Mid-term:	30%
Final exam:	30%

The remaining 5% of the grade will be based on class attendance and on improvement in your general performance over the course of the semester.

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:**

	<u>Handed Out</u>	<u>Due in Class</u>
Assignment 1	8/30 (T)	9/6 (T)
Assignment 2	9/6 (T)	9/13 (T)
Assignment 3	9/13 (T)	9/20 (T)
Assignment 4	9/20 (T)	9/27 (T)
<b>Quiz</b>		<b>9/27 (T) (Closed book)</b>
Assignment 5	9/27 (T)	10/4 (T)
<b>Mid-Term Exam [75 minutes in class]</b>		<b>10/13 (R) (Open book)</b>
Assignment 6	10/18 (T)	10/25(T)
Assignment 7	10/25 (T)	11/1 (T)
Assignment 8	11/1 (T)	11/8 (T)
Assignment 9	11/8 (T)	11/15 (T)
Assignment 10	11/15 (T)	11/22 (T)
Assignment 11	11/22 (T)	11/29 (T)
<b>Final Exam [75 minutes in class]</b>		<b>12/6 (T) (Open book)</b>

**REQUIRED TEXT:**

Robert S. Pindyck and Daniel L. Rubinfeld (PR) Microeconomics, Sixth 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 blackboard or circulated in class. A folder of readings will be made available for copying on request.

## 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 23 (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)

### **PART I: Demand, Supply, Consumer Theory**

### **August 25, 30 (R, T): The laws of Supply and Demand: Shifts and Movements**

PR Chapter 2

Economist Article – to be posted on BB

### **September 1, 6 (R, T): Supply and Demand Dynamics: Elasticity, Durability and Revenue**

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

**For 9/6 please read:** Button, Kenneth J. 1993. “Factors Which Influence Travel Demand.” In Transport Economics, 2<sup>nd</sup> Edition. Pp. 40-58

### **September 8, 13 (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 15, 20 (R, T) Utility Maximization and Consumer Choice: Substitution and Income Effects, the Role of Incentives in Public Policy**

PR: Rest of Chapter 4

**September 22 (R): Prof. Roberto Quercia (*Application of microeconomics principles to Housing*)**

Required reading: Galster and Rothenberg. 1991. "Filtering in Urban Housing: A Graphical Analysis of a Quality Segmented Market." *Journal of Planning Education and Research* 11:37-50

**September 27 (T): Quiz [in Class, CLOSED BOOK]**

**September 29 (R): Guest Speaker: TBA (*Application of microeconomic principles in the analysis of Transportation*)**

**PART II: Theory of the Firm and Production**

**, October 4, ( R, T): Technology, Productivity, and Costs**

PR. Chapters 6 and 7

**October 6, 11 (R, T): Profit Maximization, Economies of Scale and Scope - I**

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 13 (R): MID TERM EXAM (in class; open book)**

**October 18 (T): Tentative - Financial institutions - micro underpinnings of a market for assets (Speaker TBA)**

Krugman, Paul. 2009. *The Return of Depression Economics*, Paul Krugman, Norton, 2009 (chapters 8 and 9)

Bosworth, Barry and Aaron Flaaen. 2009. "America's Financial Crisis: End of an Era", (Brookings working paper).

**October 20 (R): FALL BREAK – NO CLASS**

**PART III: The Economic Role of Governments: Interventions and Market Failures**

**October 25 (T): Effect of Taxes and Subsidies**

pp. 313-320, Chapter 9

**October 27, November 1 (R, 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 3 (R): Monopoly (monopolistic competition, natural monopolies)**

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

**November 8, 10 (T, R): Pricing with Market Power**

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

**November 15 (T): Market Failures, Public Goods and Externalities – I**

PR Chapter 18, Section 18.1

Schools Brief: “Missing Markets.” *The Economist*.

Tiebot, Charles, 1956, “A Pure Theory of Local Expenditures.” *The Journal of Political Economy*. Pp. 416-424.

**November 17 (R): Market Failures, Public Goods and Externalities – II**

PR Rest of Chapter 18.

Landis, John, Lan Deng, and Michael Riley. “Growth Management Revisited,”  
University of California, Institute for Urban and Regional Development, working paper  
2000-02. pp 1-48.

**November 22 (T): Guest Speaker – TBA (*Application of microeconomics principles to Land use Policy and the Environment*)**

**November 24 (R): THANKSGIVING – NO CLASS**

**PART IV: Introduction to Cost Benefit Analysis**

**November 29, December 1 (T, R): Basics of Cost Benefit Analysis**

PR Chapter 15

Weitzman, Martin L. 1999. "Gamma Discounting." *American Economics Review* No. 1, pp. 260-271

**December 6 (T): FINAL EXAM**