

Department of City and Regional Planning
Fall, 2021

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

Instructor: Professor Meenu Tewari
Room 202, New East
Phone 919-593-4386
Email: mtewari@unc.edu

Class meets T, R: 9:30 – 10:45 am
Mode of Instruction: Remote
Office hours: R: 1:00 – 2:00 pm
or, by appointment:
<https://unc.zoom.us/j/99743356481>

**Class Meets Tuesdays and Thursdays
9:30-10:45 am**

Zoom Room
<https://go.unc.edu/Micro>

Meeting ID: 939 3096 6164
Passcode: 701570

Teaching Assistants

Sophie Kelmenson soph@live.unc.edu Office hours: Mondays 4-5 pm, or by appointment.
<https://unc.zoom.us/j/8985414713>

Megan McIntyre mmcintyre2@unc.edu Office hours: Wednesdays 12-1 pm, or by appointment.
Room 302, New East. & <https://unc.zoom.us/j/8129900720>

Recitation (in person): Fridays, 10 am – 11 am FedEx Global Center Room: 1005

COURSE OBJECTIVES:

PLAN 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 students to work with 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 question and answer sessions. All students are required to come to class having read 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. Given the varied economics backgrounds that students bring to class, it is *very important* that you let me, or the TA, know as soon as possible if the pace is too fast or too slow for you. We can work together to find solutions that work for everyone.

In addition to regular class meetings, the TA will conduct a weekly recitation session each Friday from 10-11 am in person in Room 1005 of the FedEx Global Center. You can also zoom into these sessions. The purpose of these sessions is to review the material covered in class, bring in new examples to clarify ideas and illustrate key concepts through in-class exercises, and to review problem sets. You are strongly urged to attend all recitations. One or two early recitation meetings will include a math review.

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

THE HONOR CODE

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.” **The honor code applies strictly.**

<http://newstudents.unc.edu/content/view/24/77/>

We are committed to treating Honor Code violations seriously and urge all students to become familiar with the terms set out at <http://honor.unc.edu/honor/code.html>. If you have questions it is your responsibility to ask the professor about the Code’s application.

MISSING CLASS

Students are permitted to miss class for EXCUSABLE absences only (for details about what an excused absence is, see UNC-Chapel Hill’s attendance policy). Students are allowed one absence without any questions asked. Beyond that you need to bring me a verified reason for your absence and let me know in advance. If a student has two un-excused absences, their grade will be affected.

UNCERTAINTIES OF THE CURRENT MOMENT

Even as we move towards recovery and return, we are still in the midst of many uncertainties. If at any time you feel overwhelmed or otherwise have issues with remote learning, please get in touch with me. I want to make this as fruitful an experience for all of us as I can.

Our class is remote. Our recitation is in person. If you feel strongly about having a remote option please get in touch with us.

When you are in the classroom for the recitation please note that the following community standards apply and must be adhered to.

Community Standards in Mask Use.

This semester, while we are in the midst of a global pandemic, all enrolled students are required to wear a mask covering your mouth and nose at all times in the classroom. This requirement is to protect our educational community as we learn together. If you choose not to wear a mask, or wear it improperly, the instructor will ask you to leave immediately, and will submit a report to the [Office of Student Conduct](#). At that point you will be disenrolled from the course for the protection of our educational community. Students who have an authorized accommodation from Accessibility Resources and Service have an exception. For additional information, see [Carolina Together](#).

An exemption to the mask wearing community standard will not typically be considered to be a reasonable accommodation. Individuals with a disability or health condition that prevents them from safely wearing a face mask must seek alternative accommodations through the [Accessibility Resources and Service](#). For additional information, see [Carolina Together](#).

DISABILITY

The University of North Carolina – Chapel Hill facilitates the implementation of reasonable accommodations, including resources and services, for students with disabilities, chronic medical conditions, a temporary disability, or pregnancy resulting in difficulties with accessing learning opportunities. All accommodations are coordinated through the Accessibility Resources and Service Office. In the first instance please visit their website <http://accessibility.unc.edu>, call 919-962-8300 or email accessibility@unc.edu. Please contact ARS as early in the semester as possible.

ASSIGNMENTS

Students will be assigned weekly problem sets. I usually drop your weakest assignment to compute the assignments grade. All assignments will be posted on Sakai. You can hand-write your answers and scan them using any free phone based pdf scanner and upload them to drop-box on the date they are due. They will be graded electronically and uploaded to Dropbox.

There are a lot of good, free smart-phone based scanner/pdf converter apps, such as [Adobe Scan](#) and [Scanner App](#). If you don't already have an app that you use and are familiar with, please get one before classes begin and make sure you know how it works.

Late assignments will not be accepted. Exceptions will be made if there is an emergency.

Making the Abstract Real: Besides weekly assignments, each group will also make a short presentation in class on contemporary applications of our weekly themes. Every group will be assigned a date on which to bring a newspaper article related to the theme of that class and make a 5-6-minute presentation at the start of class. You are requested to post the article on the Forums section on Sakai 1-2 days in advance to allow others to read it.

Exams: There will be one quiz, a mid-term and a final exam. The final exam will be held on the last day of classes. The quiz will be closed book. The mid-term and final will be open book. All three will be 75 minutes long and will be held during class time synchronously, unless circumstances demand that we do them asynchronously.

I am interested in your ongoing feedback on all aspects of the course and am open to making appropriate revisions when needed. I look forward to hearing from you!

GRADING POLICY:

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

Weekly problem sets:	30%
Quiz (closed book):	10%
Mid-term (open book):	25%
Final exam (open book):	25%
Group 5-7 min. presentation:	5%
Improvement:	5%

Generally, P (Pass) indicates satisfactory performance on all course objectives. An H (High Pass) indicates superior performance, over and above the mastery of basic concepts. A grade of L indicates that some or several course objectives have not been mastered. I will use pluses and minuses to provide finer grained feedback, but the graduate school records only, H, P and L on the transcript.

Please note: *I reserve the right to change the schedule of the assignments (below) based on my assessment of the pace at which the class is achieving our learning objectives, or due to other extenuating circumstances.* It is not uncommon for us to drop an assignment to help you deal with other deadlines outside of our course if they happen to be bunched up.

Assignment and exam schedule:

	<u>Handed Out</u>	<u>Due in Class</u>
Assignment 0	8/19 (R)	8/24 (T) (Not graded)
Assignment 1	8/24 (T)	8/31 (T)
Assignment 2	8/31 (T)	9/7 (T)

Assignment 3	9/7 (T)	9/14 (T)
Assignment 4	9/14 (T)	9/21 (T)
Quiz [75 minutes, in class - Synchronous]		9/21 (T) (Closed book)
Assignment 5	9/28 (T)	10/5 (T) (Not graded)
Mid-Term Exam handed out on Sakai [Asynchronous]		10/5 (T)
Mid-Term Exam due online (Sakai) by 11:55 pm		10/7 (R) (Open book)
Assignment 6	10/12 (T)	10/19 (T)
Assignment 7	10/19 (T)	10/26 (T)
Assignment 8	10/26 (T)	11/2 (T)
Assignment 9	11/2 (T)	11/9 (T)
Assignment 10	11/9 (T)	11/16 (T)
Final Exam handed out on Sakai [Asynchronous]		11/18 (R)
Final Exam due online (Sakai) by 11:55 pm		11/23 (T) (Open book)

REQUIRED TEXT:

Robert S. Pindyck and Daniel L. Rubinfeld (PR) Microeconomics, (Eighth or any other edition), Prentice Hall. Second hand copies of earlier editions will also suffice and can be purchased online. A Spanish E-Book is available in the library reserves segment on the course Sakai page. The bookstore does not carry copies of the book. Several copies are also available in the Chapin Reading Room for review, one copy of the latest edition is on reserve at Davis.

Please note that because we may be using different editions of the book, the page numbers listed in the syllabus may not match with your edition. I would urge you to focus on the assigned section and chapter rather than on specific page numbers when you read.

I strongly recommend a second resource:

Take Back the Economy : An Ethical Guide for Transforming Our Communities
Jenny Cameron, Stephen Healy, and J. K. Gibson-Graham. It is available through UNC as an e-book, and provides an alternative perspective to markets than the neoclassical view we are studying. Feel free to browse through any chapter as the course progresses.

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

READINGS AND CLASS SCHEDULE

Please note:

1. We will not be covering every chapter in the textbook; only those specified below. Page numbers may differ by edition, so please follow the sections instead of page numbers.
2. While the relevant sections within each chapter are indicated below. You are encouraged to read beyond the assigned sections if you wish. You will, however, be held accountable only for the assigned sections.
3. *The pace of coverage will depend on student performance and comprehension and may be modified accordingly. The pace at which we cover sections may therefore differ from what is listed in the syllabus. Unforeseen circumstances, including weather related events, can also lead us to depart from the schedule below.*
4. A set of guest speakers will be invited to discuss special topics and applications at various points in the course.

Class Schedule

August 19 (R): Introduction: Getting a Sense of the Market and its Limits

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 24, 26 (T, R): The laws of Supply and Demand; Shifts and Movements

PR Chapter 2

Optional Applied Readings - Demand and Supply

Racial justice: ["Opinion: Housing Policy Key to Desegregation"](#)

Climate: ["In First, Environment Ministry to Examine Imposing Carbon Tax on Polluters"](#)

Journal Article: ["Employer Demand for Welfare Recipients by Race"](#)

August 31, Sept. 2 (T, R): Supply and Demand Dynamics: Elasticity, Durability and Revenue

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

For 9/2 please read: Button, Kenneth J. 1993. "Factors Which Influence Travel Demand." In: Transport Economics, 2nd Edition. Pp. 40-58.

Optional Applied Readings: Elasticity

Climate: ["Gasoline Demand More Responsive to Price Changes than Economists Once Thought"](#)

Pandemic: ["Growers Prepare for Harvest Amid COVID-19"](#)

Journal: ["Gender-Based Taxation and the Division of Family Chores"](#)

September 7, September 9 (T, R): Behind the Demand Curve: Marginal Utility, Indifference Curves and Budget Constraints

PR, Chapter 3 and Sections 4.1 and 4.2 of Chapter 4

Optional Applied Readings: Utility

Pandemic: ["Buses Take on New Importance in a Subway City"](#)

September 14 (T): Utility Maximization and Consumer Choice: Revealed Preferences; Substitution and Income Effects, the Role of Incentives in Public Policy

PR: Rest of Chapter 4

Optional Applied Readings: Consumer Choice and Policy

Racial justice: ["Consumers Want Their Restaurants to Take Action on Racial Justice"](#)

Climate: ["Consumer Choices for the Climate"](#)

September 16 (R): Utility and Consumer Choice – Case Analysis; Policy and Consumer Behavior

PR: Chapter 4: Network Externalities

September 21 (T): Quiz [in class, synchronous]. Closed book.

PART II: Theory of the Firm and Production

September 23 (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 28, 30 (T, R): Technology and Productivity - I & Productivity - II

PR Chapter 6.

Optional Applied Readings: Productivity

Racial justice: "[Economic Impact of Closing the Racial Wealth Gap](#)"

Racial justice (long): "[Business Case for Racial Equity](#)"

Climate: "[Stronger Environmental Regulation Makes Economic Winners](#)"

October 5 (T): Costs –I (Midterm handed out)

PR Chapter 7

October 7 (R): MIDTERM DUE online by 11:55 pm. Open book.

Costs – II

PR Chapter 7 cont.

October 12, 14 (T, R): Profit Maximization, Economies of Scale and Scope

PR, Chapter 8, Chapter 9, and parts of Chapter 4:112-115;

Background Case: David A. Hounshell, [From the American System to Mass Production: 1800-1932](#), Chapter 6.

Optional Applied Readings: Profit Maximization and/or Economies of Scale

Pandemic: "[Economics of Vaccine Production](#)"

October 19 (T): Guest Lecture – Urban Land Markets and Agglomeration Economies in Space – Professor Yan Song.

October 21 (R): FALL BREAK –No class

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

October 26, 28 (T, R): Economics of Taxes and Subsidies

pp. 313-320, Chapter 9

Optional Applied Readings: Taxes and Subsidies

Racial justice: ["A Study Found an 'Incredibly Discouraging' Amount of Housing Discrimination in Boston. Here's How City Councilors are Responding"](#)

Climate: ["Denver's New Climate Action Vision Could Lead to a Very Different Denver"](#)

Optional Reading (Classics):

Lindahl, Erik. "Just Taxation: a positive solution" in Classics in the Theory of Public Finance, R.A. Musgrave and A. T. Peacock (Eds.), Macmillan, London, 1919.

Taylor, Brian D. "When Finance Leads Planning: Urban Planning, Highway Planning, and Metropolitan Freeways." Journal of Planning Education and Research. 20, 2 (2000): 196-214.

Baumol, William J. "On Taxation and the Control of Externalities." American Economic Review 62, no. 3 (June 1972): 307-322.

November 2 (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

Laura Wolf-Powers, Community Benefits Agreements and Local Government, A Review of Recent Evidence, Journal of the American Planning Association, Volume 76, Issue 2 (2010): 141 – 159.

November 4 (R): Monopoly (monopolistic competition, natural monopolies)

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

Optional Applied Readings: Monopolies

Pandemic: ["House Dems Introduce Bill to Prevent Big Pharma Price Gouging During COVID-19 Pandemic"](#)

Racial justice: ["Opinion: Let's Expand Our View of 'Systemic Racism' and Talk About All the Issues"](#)

November 9 (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 Applied Readings: Externalities and Public Goods

Racial justice: ["The Wrong Complexion for Protection.' How Race Shaped America's Roadways and Cities"](#)

Pandemic: ["COVID-19 Infection Externalities: Herd Immunity Versus Containment Strategies"](#)

Climate: ["Shareholder Value' Versus the Public Good: The Case of Germany"](#)

Other Optional Readings - Classics in the Field:

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

Hardin, Garrett. "The Tragedy of the Commons", *Science*, Vol.162 (1968, December 13): 1243-1248, December 13.

Pigou, A.C. "Some Aspects of Welfare Economics." *The American Economic Review*, Vol. 41, No. 3.(1951): 287-302.

Bator, Francis. "The Anatomy of Market Failure," *Quarterly Journal of Economics*, 72, no.3 (1958): 351–379.

Coase, Ronald H. "The Lighthouse in Economics", *Journal of Law and Economics*, Vol. 1 (October 1974): 357-376.

Cases (Optional):

Schools Brief: "Missing Markets." *The Economist*.

Ahlers, Rhodante. "Fixing and Nixing: The Politics of Water Privatization." *Review of Radical Political Economics*, 42 (2010): 213

Connerly, Charles. "From Racial Zoning to Community Empowerment: The Interstate Highway System and the African-American Community in Birmingham, Alabama."

Journal of Planning Education and Research 22, no.2 (2002): 99-114.

November 16 (T): Market Failures, Public Goods and Externalities – II – Guest Lecture, Kyle Onda (TBC)

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.

Optional reading:

Stiglitz, Joseph. “The Private Uses of Public Interests: Incentives and Institutions.” *Journal of Economic Perspectives* 12 (Spring 1998): 3-22.

Arrow, Kenneth. “The Organisation of Economic Activity: Issues Pertinent to the Choice of Market vs. Non-Market Allocation”, in *Public Expenditures and Policy Analysis*, Ed. R.H. Haveman and J. Margolis. Markham Press, Chicago, 1970.

Thompson, Gregory. “Planning Beats the Market: The Case of Pacific Greyhound Lines in the 1930s.” *Journal of Planning Education and Research* 13, no.1 (October 1993): 33-49.

November 18 (R): Basics of Cost Benefit Analysis (Introduction) [Not on the Final Exam]. (Final Exam handed out)

PR Chapter 15

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

Coase, Ronald. “The Problem of Social Cost.” *Journal of Law and Economics*, Vol.3 (October 1960): 1-44.

November 23 (T): FINAL EXAM DUE online by 11:55 pm. Open Book. Cost-Benefit - II; Wrap up and evaluations.

November 25 (R): THANKSGIVING BREAK – No Class

November 30 (T): *The economics of climate change*, Guest Speaker, Professor Miyuki Hino (TBC)