

New York University
Robert F. Wagner Graduate School of Public Service
P11.1018 Microeconomics, Fall 2006
Tuesdays and Thursdays, 9:30am – 10:45am, Silver 401

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COURSE DESCRIPTION AND OBJECTIVES

The primary purpose of the microeconomics core course is to enable you to use microeconomic thinking, concepts and tools in your professional public service work. Accomplishing this also requires refreshing and strengthening your quantitative skills.

The course begins with the basics of supply and demand and market operations, and uses this as the context for considering consumer and organizational behaviors within a given market structure. The course builds to applying economic analysis to a variety of public issues such as the effects of taxation, the market structure of health care, the impacts of minimum wage legislation, the effects of international trade and various approaches to environmental externalities.

At the end of the course you should be able to articulate the economic context and analysis of a public problem, read studies that apply economics to public issues, and progress to second level courses confident of your understanding of microeconomics and its tools.

REQUIRED BOOKS

1. N. Gregory Mankiw, *Principles of Microeconomics* 4th edition. Publisher: South-Western College. Available from the NYU Professional Book Store. Cited as Mankiw.
2. David R. Hakes, *Study Guide to Principles of Microeconomics* 4th edition. Publisher: South-Western College. Available from the NYU Professional Book Store. Cited as Study Guide.
3. *Microeconomics*. Publisher: McGraw-Hill/Irwin. ISBN: 0390-730556. This is a customized reader based on a collection of chapters from Frank and Bernanke, *Principles of Economics* 3e, and Guell, *Issues in Economics Today* 3e. Available from the NYU Professional Book Store. Cited as FB and Guell.

BLACKBOARD

You must have access to the class Blackboard site at <http://classes.nyu.edu/>
All announcements and class related documents (extra readings, discussion questions, class handouts, answers to assignments etc.) will be posted here. If you have not activated your NYU net account or have forgotten your password, you can activate or change your password at <http://start.nyu.edu>. Your account must be activated to access Blackboard.

Some class announcements will also be distributed via e-mail. Thus, it is important that you actively use your NYU e-mail account, or have appropriate forwarding set up on NYUHome <https://home.nyu.edu/>

COURSE REQUIREMENTS

Class Preparation:

Readings: Readings are due for the class assigned and should be done prior to the class for which they are listed. Additional optional readings are posted on blackboard.

Discussion Questions: In some weeks, short article(s) and associated discussion questions are assigned and posted on the class blackboard site. You should read the article(s) and write down your answers to the discussion questions *prior* to class. This will form the basis of in-class discussion. Your participation in the class discussion will affect your grade at the margin.

Practice Exercises: The assigned exercises should be completed prior to class. These are not graded but we will assume you have done them and some lectures will build upon them. You will not do well on the examinations unless you master these types of problems. The most effective way to use these exercises is to start with the FB in-chapter exercises and the Study Guide problems, which are the most straightforward. Do *not* consult the answers in the Study Guide until you try all Study Guide problems for a given chapter. The practice exercises assigned from Mankiw are more challenging, and more closely match the difficulty of the assignments and exams. The answers to these exercises are posted on Blackboard.

Assignments:

(10% of grade): Completion of 9 written assignments, posted on Blackboard under assignments. These are problem-based assignments that apply concepts from the course to specific problems, and they form the basis for much of the weekly Recitation sections. Assignments that are turned in past their due date will not receive any credit.

Exams:

(40% of grade): In-class midterm exam. No make-ups.

(50% of grade): In-class cumulative final exam covering material from the entire course. No make-ups.

If you have a conflict with the scheduled exams (dates below) you should not take this course.

TUTORING AND RECITATION SESSIONS

Weekly Recitation sessions:

Recitations cover the same material for any given week. If you cannot attend the section for which you are registered, you may attend another on a space available basis. Students registered for a specific section are guaranteed a seat in that class. Times and locations are:

Thursday 8:10-9:10pm	Kasey Wiedrich	Waverley 369
Friday 11:00am-12:00pm	Rachel Meltzer	Tisch LC4
Monday 5:00-6:00pm	David Quart	Waverley 369
Tuesday 9:30-10:30am	Iris Lin	Waverley 367
Tuesday 8:10-9:10pm	Carrie Thompson	Waverley 367

The first session is Thursday 7th September, and they run on a Thursday through Tuesday schedule.

Recitation sessions will not cover new material. They review material from the prior week primarily by going over problems. Assignments will be reviewed in these sessions, *not* during class time. While attendance is not mandatory, we do expect you to be able to understand the concepts and problems reviewed in these sessions. The average student will need to attend these reviews. We strongly encourage you to attend through at least the first half of the semester.

Tutoring hours:

We have scheduled tutoring office hours to provide one-on-one tutoring. Please see Blackboard for the schedule and location. This tutoring is not a substitute for the recitation sessions, but an additional resource for questions best addressed one-on-one. Updates on recitation session schedules and tutoring hours will be posted on Blackboard and emailed to students.

Math Review (P11.1106):

For students who need to review math and graphing skills, there is no-credit math review course for Wagner students, which meets from 5:00-6:10pm for five Tuesdays, starting 12th September. It is highly recommended that you attend these sessions if you are at all unsure of your math. The class is valuable for microeconomics, statistics and financial management. To determine if you need this course, you can take Wagner's online assessment at:
<http://www.wagner.nyu.edu/current/services/math.php>

STATEMENT OF ACADEMIC INTEGRITY

As members of the NYU Wagner community, we are all expected to adhere to high standards of intellectual and academic integrity. Wagner's academic code can be found here:

<http://wagner.nyu.edu/current/policies/index.php>

For this particular course, there are some specific behaviors required to meet our standards of academic integrity:

Assignments: While we strongly encourage all students to work in groups, the final write up of assignments must be done individually with no sharing of written answers.

Exams: All exams must be the sole work of the individual student.

Violations of these standards will automatically result in all participating students failing the course and being remanded to the discipline committee for further action.

COURSE OUTLINE:

Readings, discussion questions and exercises should be completed BEFORE the class for which they are listed. Page numbers for the FB-Guell book refer to the numbers in black circles at the top of the pages.

Class 1: Economics and its relevance for the public sector

An introduction to microeconomics and its applications; methods and tools of economics (models, variables, graphs, equations); the production possibility frontier as an illustration of scarcity, choice and opportunity cost; comparative advantage and gains from trade.

Reading: FB 1 appendix, FB 2, FB 9 (up to p 64). Mankiw 1-3.

Exercises: FB 1 appendix: exercises 1A.3-1A.5. Study Guide: Ch 1 practice problem 2; Ch 2 practice problem 2; Ch 3 practice problem 2, advanced critical thinking 1, 2.

Class 2: Demand and supply basics: price determination

Market demand curve; market supply curve; price determination and market equilibrium.

Reading: Mankiw 4.

Exercises: Study Guide: Ch 4 practice problems 1-3. Mankiw 4: problems 1, 8.

ASSIGNMENT 1 due in class

Class 3: Elasticity and price controls

The shape of the curves; the importance of elasticity and its measurement; price floors and ceilings.

Reading: Mankiw 5, 6 (up to p124).

Exercises: Study Guide: Ch 5 practice problems 1, 2, 4, advanced critical thinking 1-3; Ch 6 practice problem 1. Mankiw 5: problem 10.

Discussion questions: “Not so fair Pay”

ASSIGNMENT 2 due in class

Class 4: Production: costs, profits and supply in the short run

Economic definitions of costs; production functions and concepts; cost functions and concepts; economic profit; the supply curve in the short run.

Reading: Mankiw 13, 14 (up to p298). FB 1 (p8-12).

Exercises: FB: in-chapter exercises 1.3, 1.4. Study Guide: Ch 13 practice problems 1 (skip part b), 3; Ch 14 practice problems 1, 2a, 2b. Mankiw 14: problem 1.

ASSIGNMENT 3 due in class

Class 5: Production decisions and competitive markets

Profit maximization and output decisions of competitive firms in the short and long run.

Reading: Mankiw 14 (p298-end).

Exercises: Study Guide: Ch 13 advanced critical thinking 1-3; Ch 14 practice problems 2c-2f, 3, advanced critical thinking 1, 2. Mankiw 14: problems 7, 12.

Discussion questions: “Bring me some Oil”

ASSIGNMENT 4 due in class

Class 6: The effect of taxes and market efficiency

Tax incidence; surplus analysis; deadweight loss and efficiency.

Reading: Mankiw 6 (p124-end), 7, 8.

Exercises: Study Guide: Ch 6 practice problem 2, advanced critical thinking 1, 2; Ch 7 practice problems 1-4; Ch 8 practice problems 1, 2, advanced critical thinking 1, 2; Mankiw: Ch 6 problems 4, 10; Ch 7 problems 6, 10.

Discussion questions: “City Should Reject Rental Car Tax Hike”

ASSIGNMENT 5 due in class

Class 7: Economic Applications

International trade, tariffs and quotas. Optional: agricultural price supports.

Reading: Mankiw 9. Optional reading: FB 9 (p65 onwards).

Exercises: FB: in-chapter exercise 9.5. Study Guide: Ch 9 practice problems 1-3; short answers 1.

Discussion questions: “Rust Never Sleeps”

ASSIGNMENT 6 due in class

Class 8: In-class midterm examination

Class 9: Imperfect competition: monopoly

Overview of market structures; monopoly and other forms of imperfect competition; price discrimination.

Reading: Mankiw 15.

Exercises: Study Guide: Ch 15 practice problem 2. Mankiw 15: problem 7.

Discussion questions: “More countries get price break on AIDS drug” and “Pharmaceuticals company moves to stop diversion of AIDS drugs”

Class 10: Analysis of consumer behavior: the theory of demand

Budget constraints; individual preferences and indifference curves; consumer equilibrium; demand curves; income and substitution effects; market demand.

Reading: Mankiw 21.

Exercises: Study Guide: practice problems 1, 2, short answers 1, 6. Mankiw 21: problem 5.

Discussion questions: “A Plan to Cut Welfare Cash/Vouchers would Fill Gap”

ASSIGNMENT 7 due in class

Class 11: Input markets, labor markets, and discrimination

Input markets, with special focus on labor markets; labor market demand and supply; human capital theory; compensating differentials; discrimination in labor markets.

Reading: Mankiw 18, 19. Guell chapter 26.

Exercises: Study Guide: Ch 18 practice problems 2-4; Ch 19 practice problem 1. Mankiw 18: problems 8, 9.

Discussion questions: “Employers’ Replies to Racial Names”

NOTE THAT CLASS 12 IS SPLIT ACROSS WEEKS FOR THIS SECTION – see schedule on page 9

Week 12A: Imperfect Information and Incentives, Part A

Imperfect information and search; asymmetric information, principal-agent problems and incentives, moral hazard and adverse selection in insurance markets and the workplace.

Reading: Mankiw 22 (up to p. 486). FB 13 (up to p98, Asymmetric Information), and FB 15 (up to p118).

Exercises: FB: in-chapter exercises 13.3, 15.2. Study Guide: Ch 22 practice problem 1. Mankiw 22: problem 1.

Additional reading: “How Costco Became the Anti-Wal-Mart”

Class 13: Externalities

Market failures; positive and negative externalities; remedies involving market incentives; the role of property rights.

Reading: Mankiw 10. FB 15 (p119-122).

Exercises: Study Guide: Ch 10 practice problems 1, 2. Mankiw 10: problem 8.

Discussion questions: Trading pollution permits and “Europe and its new carbon-emissions trading system are doing their bit to make pollution history”

ASSIGNMENT 8 due in class

Week 12B (Tuesday Dec 5th), Imperfect Information and Incentives, Part B

Imperfect information and search; asymmetric information, principal-agent problems and incentives, moral hazard and adverse selection in insurance markets and the workplace.

Reading: Mankiw 22 (pp. 486- 490). FB 13 (p. 98-to-end).

Exercises: FB: in-chapter exercises 13.4. Study Guide: Ch 22 practice problems 2; short answers 4. Mankiw 22: problems 2-4.

Discussion questions: “A Bangladesh Bank Relies on Peer Pressure for Collateral”

Class 14: Public Goods, and Review of Economic applications

Public goods, and a review, focusing on key lessons from price theory in analyzing public policy issues.

Reading: FB 16 (up to p145). “A Fisherman’s Tale” (on Blackboard). Optional reading: Mankiw 11. Review of assigned readings and class notes.

Exercises: Study Guide: Ch 11 practice problem 2, short answers 4.

Discussion questions: “Where Economics Stops Short”

ASSIGNMENT 9 due in class

Class 15: In-class final examination (cumulative)

CLASS SCHEDULE

Week of	Class section:					Assignment due in class	Discussion Questions
	Prof. Ellen		Prof. Beck	Prof. Chan	Prof. Musatti		
	Tue am	Thu am	Tue pm	Wed am	Wed pm		
Sep 5	1a	1b	1	1	1		
Sep 12	2a	2b	2	2	2	Assignment 1	
Sep 19	3a	3b	3	3	3	Assignment 2	On blackboard
Sep 26	4a	4b	4	4	4	Assignment 3	
Oct 3	5a	5b	5	5	5	Assignment 4	On blackboard
Oct 10	6a	6b	6	6	6	Assignment 5	On blackboard
Oct 17	7a	7b	7	7	7	Assignment 6	On blackboard
Oct 24	midterm	--	midterm	midterm	midterm		
Oct 31	9a	9b	9	9	9		
Nov 7	10a	10b	10	10	10	Assignment 7	On blackboard
Nov 14	11a	11b	11	11	11		On blackboard
Nov 21	12a	--	12	--	--		On blackboard
Nov 28	13a	13b	13	13	13	Assignment 8	On blackboard
Dec 5	12b	14a	14*	12	12		On blackboard
Dec 12	14b*	--	--	14*	14*	*Assignment 9	On blackboard
Dec 19	final	--	Final	final	final		

GRADING CRITERIA

Grades will be assigned according to the following criteria:

- A Excellent:** Exceptional work for a graduate student. Work at this level is unusually thorough, well reasoned, creative, methodologically sophisticated, and well written. Work is of exceptional, professional quality.
- A- Very Good:** Very strong work for a graduate student. Work at this level shows signs of creativity, is thorough and well-reasoned, indicates strong understanding of appropriate methodological or analytical approaches, and meets professional standards.
- B+ Good:** Sound work for a graduate student; well-reasoned and thorough, methodologically sound. This is the graduate student grade that indicates the student has fully accomplished the basic objectives of the course.
- B Adequate:** Competent work for a graduate student even though some weaknesses are evident. Demonstrates competency in the key course objectives but shows some indication that understanding of some important issues is less than complete. Methodological or analytical approaches used are adequate but student has not been thorough or has shown other weaknesses or limitations.
- B- Borderline:** Weak work for a graduate student; meets the minimal expectations for a graduate student in the course. Understanding of salient issues is somewhat incomplete. Methodological or analytical work performed in the course is minimally adequate. Overall performance, if consistent in graduate courses, would not suffice to sustain graduate status in “good standing.”
- C/-/+Deficient:** Inadequate work for a graduate student; does not meet the minimal expectations for a graduate student in the course. Work is inadequately developed or flawed by numerous errors and misunderstanding of important issues. Methodological or analytical work performed is weak and fails to demonstrate knowledge or technical competence expected of graduate students.
- F Fail:** Work fails to meet even minimal expectations for course credit for a graduate student. Performance has been consistently weak in methodology and understanding, with serious limits in many areas. Weaknesses or limits are pervasive.