

THIS VERSION: January 23, 2017

**New York University
Robert F. Wagner Graduate School of Public Service
CORE-GP 1018 Microeconomics, Spring 2017**

Professor Diana Beck

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Teaching Colleagues:

Matthew Looney, mjl443@nyu.edu (head TC)
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Lectures:

Section 01: Tuesday 9.30am - 12.15pm, Silver 401, Kathy O'Regan
Section 02: Wednesday 6.45pm - 9.30pm, 12 Waverly, L120, Diana Beck

Recitations:

Section 03: Monday 4:55pm – 5:55pm, Silver 411, Matthew Looney
Section 04: Thursday 8:35pm – 9:35pm, Silver 411, Fei Li
Section 05: Friday 12:00pm – 1:00pm, Silver 401, Xiaodi Li

“Silver” denotes the Silver Center for Arts & Sciences, located at 31 Washington Place.

Recitations begin on Thursday, January 26th. Tutoring sessions begin on Tuesday, January 24th.

COURSE DESCRIPTION AND OBJECTIVES

Students completing the course should gain the following knowledge and skills:

- An understanding of comparative advantage and the gains from trade.
- The ability to articulate tradeoffs in terms of opportunity cost, for individuals and for organizations.
- The ability to employ marginal analysis in all types of decision making.
- An understanding of how economic agents (consumers, organizations, workers, etc.) behave and respond to incentives, and how those decisions collectively affect aggregate outcomes.
- An understanding of how markets work, and the ability to analyze the impact of economic events on market and organizational outcomes.
- The ability to recognize the strengths and weaknesses of markets as a way to organize economic activity, and when **market failures are likely to arise**. An understanding of how public policy can improve market outcomes.
- The ability to analyze and compare the efficiency and equity implications of alternative policy interventions.

MATH REVIEW

If you are at all unsure of your basic math, algebra and graphing skills, you should either work through this set of materials before the start of the semester:

http://wagner.nyu.edu/students/services/math_review

or, attend the Wagner Math Review course (NONCR-GP 0906). The next section is: NONCR-GP 0906 (002): Wednesdays 4:55-6:35pm for 5 weeks, Feb. 8 – March 8.

You will need a clear and intuitive grasp of these math and graphing concepts to successfully complete this course. These concepts will not be reviewed in class.

BOOKS

1. P. Krugman and R. Wells, *Microeconomics*, 4th edition. Publisher: Worth. Available from the NYU Book Store. The textbook is also available in Course Reserves at Bobst.
2. Additional readings are available on the course website (note a few additions may be made for the second half of the course), including readings from additional text books .
 - Mankiw, *Principles of Microeconomics*, 6th edition, Ch 10 and 21.
 - Pindyck and Rubinfeld, *Microeconomics*, 7th edition, Ch 17.
 - T. Van Zandt, *Firms, Prices and Markets*, 2012, portions of chapter 13.

COURSE WEBSITE ON NYU CLASSES

The site can be accessed from the Academics tab in NYU Home or directly here:

<http://newclasses.nyu.edu> . If you have not activated your account or have forgotten your password, go to <http://start.nyu.edu> . All announcements and course related documents will be posted here. 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. All the folders referenced below can be found by clicking on RESOURCES in the left navigation bar.

COURSE REQUIREMENTS

Readings (pre-class): Readings should be done prior to the class for which they are listed.

Problems (pre-class): The assigned problems from the textbook should be completed before coming to class. These are not graded but we will assume you have done them. The answers to these problems are posted in the ANSWERS TO END-OF-CHAPTER PROBLEMS folder, however, do *not* consult these before trying the problems on your own.

News Analysis and Discussion (pre-class): These materials are posted in the READINGS folder. Your instructor will assign specific items for discussion each week along with a set of discussion questions. You should apply economic reasoning to the issues raised in these readings or podcasts and jot down your answers to the associated questions before coming to class. Your answers to these questions will form the basis of in-class discussion. Your participation in the class discussion will affect your grade at the margin.

[NB: You can obtain unlimited access to New York Times articles by activating an Academic Pass using your NYU email address here: <http://nytimes.com/passes>]

Assignments (post-class) 10% of grade:

Eleven written assignments are posted in the ASSIGNMENTS folder. These apply concepts from the course to specific problems, and they form the basis for the weekly recitations. Please write legibly or type your answers. Completed assignments should be handed to the professor at the start of the next class, or handed to Shannon Deere before then. Late assignments will not receive any credit. Do not put your assignment in anyone's mailbox, as it may not be picked up in time to receive credit. These assignments are intended to provide timely feedback on your progress and to teach concepts. They are graded pass (check plus/check/check minus) or fail to promote learning.

Post-class practice problems and videos: Your lecture handout will often include practice problems that should be completed after class. Answers are posted in the ANSWERS TO POST-CLASS PRACTICE PROBLEMS folder. In some weeks, there are videos that provide a step-by-step solution to these problems. You should complete the practice problem on your own before looking at the answers or watching the video.

Additional study materials (optional): The STUDY MATERIALS FROM KRUGMAN-WELLS folder contains some more resources from the textbook. The recitation handouts (see below) also include additional practice problems.

Exams:

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

50% of grade: Cumulative final exam, covering material from the entire course. No make-ups. If you have a conflict with the scheduled exam dates, you should not take this course.

RECITATIONS AND TUTORING

Recitations:

Recitation sections in any given cycle will cover the same content. While you have registered for a specific section, you may attend an alternate section on a space-available basis.

Recitations will not cover new material. They review material from the previous class primarily by going over problems. These are posted in the RECITATION HANDOUTS folder. Assignments will be reviewed in recitation and *not* during class. While attendance is not mandatory, you will need to master the content of these recitations to successfully complete the course. The average student will need to attend, and we strongly encourage you to do so at least until the midterm exam.

Tutoring hours:

We have scheduled tutoring office hours to provide **one-on-one tutoring**. Please see the course website for the schedule and location. This tutoring is not a substitute for the recitations, but an additional resource for questions best addressed one-on-one.

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 SCHEDULE

| | Dates | | | Prepare Before Class | | Complete After Class | |
|-----------|------------------|------------------|--|-----------------------|------------------|-----------------------------------|---------------------------------|
| | Lecture | Recitation | | Readings, Problems | News Analysis | Post-class practice problem | Assignment due next class |
| 1 | 24-25 Jan | 26-30 Jan | Introduction | X | | | X |
| 2 | Jan 31- Feb 1 | 2-6 Feb | Demand, supply | X | X | | X |
| 3 | 7-8 Feb | 9-13 Feb | Elasticity, surplus | X | X | X | X |
| 4 | 14-15 Feb | 16-20 Feb | Taxes, price controls | X | X | X | X |
| 5 | 21-22 Feb | 23-27 Feb | Production | X | X | X | X |
| 6 | Feb 28- Mar 1 | 2-6 Mar | Trade, tariffs | X | X | X | |
| 7 | 7-8 Mar | | MIDTERM EXAM - in class Spring break | | | | |
| 8 | 21-22 Mar | 23-27 Mar | Consumer choice | X | X | X | X |
| 9 | 28-29 Mar | Mar 30- Apr 3 | Labor markets | X | X | X | X |
| 10 | 4-5 Apr | 6-10 Apr | Monopoly | X | X | X | X |
| 11 | 11-12 Apr | 13-17 Apr | Game theory | X | X | X | X |
| 12 | 18-19 Apr | 20-24 Apr | Information | X | X | X | X |
| 13 | 25-26 Apr | Apr 26- May 1 | Externalities | X | X | X | X |
| 14 | 2-3 May | 4-8 May | Public goods, review | X | X | | |
| 15 | 9*-10 May | | FINAL EXAM* during class times | | | | |

*The Tuesday lecture (01) exam is on reading day.

Unless otherwise noted, all readings and problems are from Krugman & Wells.

Week 1: Introduction to microeconomics and why it matters for public service

An introduction to microeconomics and its core principles; main 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: Introduction

Ch 1

Ch 2

Ch 2 appendix

Ch 8 up to page 227

Problems: Ch 2: 3, 4, 16

Ch 2 appendix: 1, 3, 5

Assignment: week 1 assignment due next class

Week 2: Demand and supply basics: price determination

Fundamental model of competitive markets, demand and supply curves; market determination of price and market equilibrium.

Reading: Ch 3

Problems: Ch 3: 1, 2, 14, 16, 19

Discussion: as assigned by instructor

Assignment: week 2 assignment due next class

Week 3: Elasticity, consumer and producer surplus, and price interventions

The shape of demand and supply curves; the importance of elasticity and its measurement. Measuring gains from trade using surplus. Introduction of price ceilings and floors.

Reading: Ch 6 (read this first)

Ch 4

Ch 5 pages 131-134 and 141-143

Problems: Ch 6: 2, 7, 9

Ch 4: 3, 9

Discussion: as assigned by instructor

Video: Coffee market problem

Assignment: week 3 assignment due next class

Week 4: Policy interventions that affect price and efficiency: taxes and price controls

What happens when policy interventions interfere with the market price? Tax incidence, deadweight loss and efficiency.

- Reading:** Ch 7
Ch 5 up to page 147
- Problems:** Ch 7: 2, 3, 6
Ch 5: 2
- Discussion:** as assigned by instructor
- Video:** Dog walking problem
- Assignment:** week 4 assignment due next class

Week 5: Production: framing decisions, costs, profits, competitive markets and supply

Decisions made by organizations that result in the supply of goods and services; implicit costs, opportunity costs and economic profit; production functions, cost functions and concepts; short-run versus long run; profit maximization and output decisions of competitive firms.

- Reading:** Ch 9 up to page 265
Ch 11 up to page 345
Ch 12
- Problems:** Ch 9: 2, 4, 8
Ch 11: 2, 16
Ch 12: 7
- Discussion:** as assigned by instructor
- Assignment:** week 5 assignment due next class

Week 6: Production (continued); International trade and tariffs

International trade and tariffs. Review of economic applications.

- Reading:** Ch 8 page 227 onwards
- Problems:** Ch 8: 7, 8, 10
- Discussion:** as assigned by instructor

Week 7: Midterm examination (covers weeks 1-6)

Week 8: Consumer choice and decision-making

Rational decision-making for price-taking consumers; budget constraints, utility and indifference curves; income and substitution effects. Introduction to behavioral economics.

Reading: Mankiw Ch 21(posted in the READINGS folder)
Ch 19 appendix
Ch 9 page 265 onwards
Save More Tomorrow (posted in the READINGS folder)

Problems: Mankiw Ch 21: 4, 5

Discussion: as assigned by instructor

Video: Consumer choice problem

Assignment: week 8 assignment due next class

Week 9: Labor markets

Labor market demand and supply; marginal productivity; human capital theory; compensating differentials; labor market discrimination. Real versus nominal wages.

Reading: Ch 19
Ch 19 appendix
Additional reading in READINGS folder

Problems: Ch 19: 8, 11
Ch 19 appendix: 3

Discussion: as assigned by instructor

Assignment: week 9 assignment due next class

Week 10: Imperfect competition: Monopoly

Long run costs and returns to scale. Overview of market structures; monopoly; price discrimination.

Reading: Ch 11 pages 345-end
Ch 13

Problems: Ch 11: 15
Ch 13: 3, 4

Discussion: as assigned by instructor

Assignment: week 10 assignment due next class

Week 11: Imperfect competition: Game Theory and Strategic Behavior

Markets with multiple but limited firms; decision-making with interdependency, game theory and payoff matrices.

Reading: Ch 14
T. Van Zandt, portions of Ch 13 (posted in READINGS folder).

Problems: Ch 14: 4, 5 and 6

Discussion: as assigned by instructor

Assignment: week 11 assignment due next class

Week 12: Asymmetric information and incentives

Asymmetric information; moral hazard and adverse selection in insurance markets and the workplace; principal-agent problems and incentives.

Reading: Pindyck and Rubinfeld Ch 17 (posted in READINGS folder)
Ch 20 pages 596-601 (optional)

Problems: Ch 20: 12, 14

Discussion: as assigned by instructor

Assignment: week 12 assignment due next class

Week 13: Externalities

Positive and negative externalities; remedies involving market incentives; role of property rights.

Reading: Mankiw Ch 10 (posted in READINGS folder)

Problems: Mankiw Ch 10: 3, 4, 11

Discussion: Tradable permits exercise - prepare your auction strategy before class.

Video: Dry cleaning problem

Assignment: week 13 assignment due next class

Week 14: Public goods; Review of economic applications

Public goods and common resources. Review of market failures and the role of public policy. Review of key lessons from the course.

Reading: Ch 17

Problems: Ch 17: 1, 4, 13

Discussion: as assigned by instructor

Week 15: Final examination (weeks 1-14)

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.