New York University
Robert F. Wagner Graduate School of Public Service
P11.1018 Microeconomics, Spring 2008

Professor Diana Beck
Tuesday 6:45-9:30 pm

Contact information: Diana.Beck@NYU.edu
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212.998.7529, fax 212 995-4162
Office Hours: 5:00-6:00 pm Wednesdays or by appointment.
For all administrative matters, contact Ann Lin at (212) 998-7429 or at asl2@nyu.edu

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 decisions 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 the minimum wage, the effects of international trade and various approaches to environmental externalities.

By the end of the course you should be able to articulate the economic context and analysis of a public problem, use economic concepts in managerial and policy decisions, and progress to second level courses confident of your understanding of microeconomics and its tools.

REQUIRED BOOKS


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 doing 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 will be 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:
There are three scheduled recitation sessions, each covering the same material for any given week:

- Wednesday 5:00-6:00pm       Keren Horn          Silver 509
- Thursday 8:35-9:35pm   Michael Gedal        Silver 509
- Friday 9:00-10:00am              Johanna Lacoe        Silver 509

They run on a Wednesday through Friday schedule, starting January 21st.

While you have registered for a specific section, you may attend an alternative section on a space-available basis. Students registered for a specific section are guaranteed a seat in that class.

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, the ability to understand and complete the materials reviewed in these sessions is. 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 Mondays from 4:55-6:15 pm starting January 26th (for five sessions). 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. An example of how NYU describes academic integrity is available at http://www.nyu.edu/cas/map/integrity.pdf. This is a good resource for issues of academic honesty.

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.

Week 1: Economics and its relevance for public service
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.1-1A.5. Study Guide: Ch 1 practice problem 2; Ch 2 practice problem 2; Ch 3 practice problem 2, advanced critical thinking 1, 2.

Week 2: Demand and supply basics: price determination
Market demand curve; market supply curve; price determination and market equilibrium.

Reading: Mankiw 4.
ASSIGNMENT 1 due in class

Week 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 p 124).
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

Week 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 p 298). FB 1 (p 8-12).
ASSIGNMENT 3 due in class
Week 5: Production decisions and competitive markets
Profit maximization and output decisions of competitive firms in the short and long run.

Reading: Mankiw 14 (p 298-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

Week 6: The effect of taxes and market efficiency
Tax incidence; surplus analysis; deadweight loss and efficiency.

Reading: Mankiw 6 (p 124-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

Week 7: Economic Applications
International trade, tariffs and quotas. Optional: agricultural price supports.

Discussion questions: “Rust Never Sleeps”
ASSIGNMENT 6 due in class

Week 8: In-class midterm examination

Week 9: Imperfect competition: monopoly
Overview of market structures; monopoly and other forms of imperfect competition; price discrimination.

Reading: Mankiw 15.
Discussion questions: “More countries get price break on AIDS drug” and “Pharmaceuticals company moves to stop diversion of AIDS drugs”
Week 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.
Discussion questions: “A Plan to Cut Welfare Cash/Vouchers would Fill Gap”
ASSIGNMENT 7 due in class

Week 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 Ch 26, blackboard readings.
Discussion questions: “Employers’ Replies to Racial Names”

Week 12: Externalities
Market failures; positive and negative externalities; remedies involving market incentives; the role of property rights.

Reading: Mankiw 10. FB 15 (p 119-122).
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 13: Imperfect Information and Incentives
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 490). FB 13, and 15 (up to p118). OPTIONAL: Compensation and Incentives in the Mortgage Business, John Quigley
Discussion questions: “A Bangladesh Bank Relies on Peer Pressure for Collateral”
ASSIGNMENT 9A due in class
Week 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.

Discussion questions: “Where Economics Stops Short”

ASSIGNMENTS 9B due in class

Week 15: In-class final examination (cumulative)
### Class Schedule: Tuesday Evening Class

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<thead>
<tr>
<th>Week</th>
<th>Date</th>
<th>Assignments</th>
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<td>1</td>
<td>20 Jan</td>
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<td>2</td>
<td>27 Jan</td>
<td>Assign. #1 in class</td>
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<td>3 Feb</td>
<td>Assign. #2 in class</td>
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<td>Assign. #3 in class</td>
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<td>5</td>
<td>17 Feb</td>
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<td>24 Feb</td>
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<td>3 March</td>
<td>Assign. #6 in class</td>
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<td>8</td>
<td>10 March</td>
<td><strong>Exam</strong> 6:45-8:45 pm</td>
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<td>17 March, <strong>Spring Break, No class</strong></td>
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<td>31 March</td>
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<td>12</td>
<td>14 April</td>
<td>Assign. #8 in class</td>
<td>Trading permits</td>
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<td>13</td>
<td>21 April</td>
<td>Assign. #9A in class</td>
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<td>14</td>
<td>28 April</td>
<td>#9B in class</td>
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<td>Final Exam</td>
<td>5 May 6:45-8:45 pm</td>
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**If you cannot attend class, the assignment must be turned in to Ann Lin (2nd floor, Puck) no later than 5:00pm on the day it is due. DO NOT PLACE YOUR ASSIGNMENT IN THE PROFESSOR’S MAILBOX.**
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.