New York University
Robert F. Wagner Graduate School of Public Service
P11.1018 Microeconomics, Fall 2009

Professor Ingrid Gould Ellen
Tuesday 9:30 am -12:10 pm

Contact information: ingrid.ellen@nyu.edu
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212.998.7533, fax 212 995-3890
Office Hours: 3:30-5:00 pm Tuesdays or by appointment.
For administrative matters, contact Vivian Yela at (212) 998-7417 or at vivian.yela@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 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 Krugman & Wells are
slightly more challenging. The answers to these exercises have been posted on Blackboard.
Assignments:
(10% of grade): Completion of 11 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 late will not receive any credit. These assignments are intended both to provide timely feedback on your progress, and to teach concepts. They are graded on a check/plus/minus scale to promote learning.

Exams:
(40% of grade): In-class midterm exam. No make-ups.
(50% of grade): Cumulative final exam, covering material from the entire course. NOT scheduled at the same time as class meets, 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 five scheduled recitation sessions, each covering the same material for any given week:

- Wednesday 8:35 - 9:35pm  Nicole Dooskin  Waverly 569
- Thursday 9:00 - 10:00 am  Johanna Lacoe  Waverly 569
- Thursday 8:35 – 9:35 pm  Courtney Wolf  Silver 509
- Friday 11:00 am -12:00 pm  Michael Gedal  Silver 411
- Monday  8:35 – 9:35 pm  Neene Owate  Waverly 569

They run on a Wednesday through Monday schedule, starting September 9th.

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 6:45-7:55 pm starting September 14th (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.
Week 1: Economics: what is 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: KW Ch1-2; Ch 2 appendix.
Exercises: Study Guide Ch 1 Problem 1-2; Study Guide Ch 2 Problems 2-4, 13; KW Ch 2 problems 2, 4-6

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: KW Ch 3
Exercises: Study Guide Ch 3 problems 2-7; KW Ch 3 problems 1-2, 4

ASSIGNMENT 1 due in class

Week 3: Consumer and Producer Surplus, and Elasticity
Measuring gains from trade using surplus; the shape of demand and supply curves; the importance of elasticity and its measurement.

Reading: KW Ch 4 and 6
Exercises: Study Guide Ch 4 problems 1, 2, 4, 5, 8; KW Ch 4 problems 7, 10, 11
Study Guide Ch 6 problems 1, 2, 4; KW Ch 6 problems 12, 13, 15, and 16.
Discussion questions: On Blackboard

ASSIGNMENT 2 due in class

Week 4: Policy interventions that affect price, and market efficiency: Taxes and Tariffs
What happens when policy interventions interfere with the market price? Tax incidence (who really pays the tax), deadweight loss and efficiency; International trade and tariffs.

Reading: KW Ch 7, 8
Exercises: Study Guide Ch 7 problems 1-4, KW Ch 7 problems 6, 7.
Study Guide Ch 8 problem 2; KW Ch 8 problems 1, 2, 4, 10.
Discussion questions: On Blackboard

ASSIGNMENT 3 due in class
Week 5: Production: framing decisions, costs, profits and the importance of time horizon
Now we go into much more detail about the decisions made by organizations that result in the
supply of goods and services. Implicit costs, opportunity costs, and economic profit. Economic
definitions of costs; production functions and concepts; cost functions and concepts; short-run
versus long run.

Reading: KW Ch 9 (up to page 239) and Ch12.
Exercises: Study Guide Ch 9 problem 4; Study Guide Ch 12 problem 5-6; KW Ch 12
problems 2-5

ASSIGNMENT 4 due in class

Week 6: Production: competitive markets and the supply curve
Profit maximization and output decisions of competitive firms in the short and long run.

Reading: KW Ch 13.
Exercises: Study Guide Ch 13 problems 1, 2, 5, 6c-f, 7; KW Ch 13 problems 1, 2, 8.
Discussion questions: On Blackboard

ASSIGNMENT 5 due in class

Week 7: Consumer choice and decision-making (and review)
We move to the consumer side of the market to consider ‘optimal’ decisions of consumers in
more detail. Rational decision-making for price taking consumers; budget constraints and
utility; income and substitution effects. At the market level, we consider an additional example
of market intervention (Price ceilings) to review surplus analysis, efficiency, and elasticity.

Reading: KW Ch 10, 5.
Exercises: Study Guide Ch 10 problem 7; KW Ch 10 problems 1-2; Study Guide Chapter 5
problems 3-4

ASSIGNMENT 6 due in class

Week 8: In-class midterm examination

Week 9: Imperfect competition: monopoly
Overview of market structures; monopoly as one form of imperfect competition; price
discrimination.
Reading: KW Ch 14

Exercises: Study Guide Ch 14 problems 1-3; KW Ch 14 problem 10.

Discussion questions: On Blackboard

**Week 10:** Imperfect competition, game theory and strategic behavior
Markets with multiple but limited firms. Decision-making with interdependency, game theory and payoff matrices.

Reading: Colander, Ch 13 p 288-297 and Ch 14.

Exercises: TBD

Discussion Questions: Exercise on Blackboard

ASSIGNMENT 7 due in class

**Week 11:** Input markets, labor markets, and the distribution of income
Input markets, with special focus on labor markets; labor market demand and supply; human capital theory; compensating differentials; discrimination in labor markets and inequality.

Reading: KW Ch 20. Hall and Lieberman Ch 12, Economic equality up to page 392.

Exercises: Study Guide Ch 20 problems 2-4, 8, 9; KW Ch 20 problem 10

Discussion questions: On Blackboard

ASSIGNMENT 8 due in class

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

Reading: KW Ch 17.

Exercises: Study Guide Ch 17 problem 1, 3-4; KW Ch 17 problems 4-5.

Discussion questions: Tradable permits exercise, on blackboard, prepare before class

ASSIGNMENT 9 due in class

**Week 13:** Imperfect Information and Incentives
Asymmetric information, principal-agent problems and incentives, moral hazard and adverse
selection in insurance markets and the workplace. Applications to the mortgage industry.

**Reading:** O’Sullivan, Sheffrin and Perez. Ch. 14

**Additional required reading** (on blackboard):
- Compensation and Incentives in the Mortgage Business, John Quigley
- Understanding the Securitization of Subprime Credit, Federal Reserve report, p1-12

**Exercises:** TBD

**ASSIGNMENT 10 due in class**

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**Week 14: Public Goods, and Review of Economic applications**
Public goods, common resources and a review, focusing on key lessons from the course.

**Reading:** KW Ch 18

**Exercises:** *Study Guide Ch 18 problem 1, 5; KW Ch 18 problem 4*

**Discussion questions:** On Blackboard

**ASSIGNMENTS 11 due in class**

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**Week 15: Final Exam, NOT scheduled during standard class time (cumulative)**
COURSE OUTLINE:

Readings, discussion questions and exercises should be completed BEFORE the class for which they are listed.

Class Schedule: Wednesday Morning Class

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<tr>
<th>Week</th>
<th>Date</th>
<th>Assignments</th>
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<td>2</td>
<td>15 Sept</td>
<td>Assign. #1 in class</td>
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<td>3</td>
<td>22 Sept</td>
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<td>4</td>
<td>29 Sept</td>
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<td>5</td>
<td>6 Oct</td>
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<td>6</td>
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<td>7</td>
<td>20 Oct</td>
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<td>Exam</td>
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<td>Assign. #9 in class</td>
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<td>15 Dec</td>
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<td>15 Final Exam</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 2:00 pm on the day it is due. DO NOT PLACE YOUR ASSIGNMENT IN THE PROFESSOR’S MAILBOX.

**Due to the University’s final exam schedule, our final exam will be held outside of our regularly scheduled lecture. If you absolutely cannot take the exam on Friday Dec 18th (9:30 am), we will permit students to take the exam Saturday, 19th, 9:30 a.m. THAT IS THE ONLY ALTERNATIVE.
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.