New York University  
Robert F. Wagner Graduate School Of Public Service
P11.1018 Microeconomics, Spring 2011
Section 1: Tuesdays 9:30am – 12:10pm, Silver 507
Section 2: Tuesdays 6:45pm – 9:25pm, 194 Mercer 306

Professor Sewin Chan
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For administrative matters please contact Ann Lin at 212.998.7429, ann.lin@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.

TEXTS


3. Additional textbook chapters, available as a reader from Unique Copy, 252 Greene St.
   - Pindyck and Rubinfeld, Microeconomics, 7th edition, Ch 17. **REQUIRED**
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.

COURSE REQUIREMENTS

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

Discussion Questions: In some weeks, a short article and associated discussion questions are
assigned and posted on Blackboard. You should read the article 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 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 pass (check plus / check / check minus)
or fail 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. No make-ups.
If you have a conflict with the scheduled exam dates, you should not take this course.
TUTORING AND RECITATION SESSIONS

Weekly recitation sessions:
Recitation sessions begin on Wednesday 26th January and cover the same material for any given week:

- Wednesday 5:00 - 6:00pm  Erica Dixon  Silver 706
- Thursday 8:35 - 9:35pm  Diana Beck  194 Mercer 203
- Friday 9:00 - 10:00am  Matthew Looney  194 Mercer 305

While you have registered for a specific section, you may attend an alternate 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 previous class 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.

Math Review (P11.1106):
For students who need to review math and graphing skills, there is a no-credit 5 session math review course for Wagner students which meets Tuesdays 4:55-6:35pm starting 1st February 2011. 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 SCHEDULE:**

<table>
<thead>
<tr>
<th>Date</th>
<th>Week</th>
<th>Discussion questions to prepare for class</th>
<th>Assignments due in class*</th>
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<tbody>
<tr>
<td>25 January</td>
<td>Week 1</td>
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<tr>
<td>1 February</td>
<td>Week 2</td>
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<td>Assignment 1</td>
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<td>8 February</td>
<td>Week 3</td>
<td>yes</td>
<td>Assignment 2</td>
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<td>15 February</td>
<td>Week 4</td>
<td>yes</td>
<td>Assignment 3</td>
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<td>22 February</td>
<td>Week 5</td>
<td>yes</td>
<td>Assignment 4</td>
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<tr>
<td>1 March</td>
<td>Week 6</td>
<td>yes</td>
<td>Assignment 5</td>
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<td>8 March</td>
<td>Week 7: <strong>Midterm exam</strong></td>
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<td>15 March</td>
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<td>22 March</td>
<td>Week 8</td>
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<td>29 March</td>
<td>Week 9</td>
<td>yes</td>
<td>Assignment 6</td>
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<td>5 April</td>
<td>Week 10</td>
<td>yes</td>
<td>Assignment 7</td>
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<td>12 April</td>
<td>Week 11</td>
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<td>Assignment 8</td>
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<td>19 April</td>
<td>Week 12</td>
<td>yes</td>
<td>Assignment 9</td>
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<td>26 April</td>
<td>Week 13</td>
<td>yes – tradeable permits</td>
<td>Assignment 10</td>
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<td>3 May</td>
<td>Week 14</td>
<td>yes</td>
<td>Assignment 11</td>
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<tr>
<td>10 May</td>
<td>Week 15: <strong>Final exam</strong></td>
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*If you cannot attend class, the assignment must be turned in to Ann Lin (Puck 2nd floor) no later than the end of the class period on the due date. Assignments that are turned in late will not receive any credit. Please include your Puck mailbox number on your assignment.  **Do not place your assignment in the professor’s mailbox.**

**To avoid conflict with Wagner’s Convocation day, the final exam is not during the university’s exam period.**
COURSE OUTLINE:

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

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:    KW Introduction, Ch 1, 2 (including appendix) and 8 (up to page 205)
Exercises:  Study Guide - Ch 1 problems 1, 2; Ch 2 problems 2, 3, 4, 13.
            KW - Ch 2 problems 2, 4, 5, 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, 3, 4, 5, 6, 7.
            KW - Ch 3 problems 1, 2, 4.

ASSIGNMENT 1 due in 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:    KW Ch 6 (read this first), 4 and 5 (pages 117-120 and 127-128 only)
Exercises:  Study Guide - Ch 6 problems 1, 2, 4; Ch 4 problems 1, 2, 4, 5, 8.
            KW - Ch 6 problems 12, 13, 15, 16; Ch 4 problems 7, 10, 11.
Discussion questions: on Blackboard.

ASSIGNMENT 2 due in 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: KW Ch 7 and Ch 5 (all pages up to 132).
Exercises: Study Guide - Ch 7 problems 1, 2, 3, 4; Ch 5 problems 3, 4.
           KW - Ch 7 problems 6, 7.
Discussion questions: on Blackboard

ASSIGNMENT 3 due in 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: KW Ch 9 (up to page 239), 12 and 13.
Exercises: Study Guide - Ch 9 problem 4; Ch 12 problems 5, 6; Ch 13 problems 1, 2, 5.
           KW Ch 12 problems 2-5; Ch 13 problems 1, 2, 8.
Discussion questions: on Blackboard

ASSIGNMENT 4 due in class

Week 6: Production (continued); International trade and tariffs
International trade and tariffs. Review of economic applications.
Reading: KW Ch 8 (page 205 on).
Exercises: Study Guide - Ch 8 problem 2.
           KW - Ch 8 problems 1, 2, 4, 10.
Discussion questions: on Blackboard

ASSIGNMENT 5 due in class

Week 7: In-class midterm examination

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 The Theory of Consumer Choice (in reader).
         Save More Tomorrow (on Blackboard).
           Mankiw Ch 21 – problems 4, 5.
Week 9: 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 Inequality (up to page 384, in reader).
Exercises: Study Guide - Ch 20 problems 2, 3, 4, 8, 9.
KW - Ch 20 problem 10.
Discussion questions: on Blackboard

ASSIGNMENT 6 due in class

Week 10: 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, 2, 3.
KW - Ch 14 problem 10.
Discussion questions: on Blackboard

ASSIGNMENT 7 due in 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: Mankiw, Ch 17 Oligopoly (in reader).
Exercises: Mankiw - Ch 17 problems 1, 4a-c, 7.

ASSIGNMENT 8 due in class

Week 12: Imperfect Information and Incentives
Asymmetric information; moral hazard and adverse selection in insurance markets and the workplace; principal-agent problems and incentives; applications to the mortgage industry.

Reading: Pindyck and Rubinfeld, Ch 17 Asymmetric Information (in reader).
Compensation and Incentives in the Mortgage Business (on Blackboard).
Exercises: KW - Ch 21 problems 12, 14.
Discussion questions: on Blackboard

ASSIGNMENT 9 due in class
Week 13: **Externalities**
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 10 due in class

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

**Reading:** KW Ch 18.
- A Fisherman’s Tale (on Blackboard).

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

**Discussion questions:** on Blackboard

ASSIGNMENTS 11 due in class

Week 15: **Final Exam (cumulative)**
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.