

THIS DRAFT: 16 Jan 2015

**New York University
Robert F. Wagner Graduate School of Public Service
CORE-GP 1018 Microeconomics, Spring 2015**

Professor Diana Beck

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Lectures:

Section 1: Tuesday 9:30am - 12:15pm, Professor Chan, Meyer 102

Section 2: Wednesday 6:45pm - 9:30pm, Professor Beck, 12 Waverly Place L120

Recitations:

These run on a Thursday to Monday cycle following the lectures on Tuesday and Wednesday.

Thursday 8.35pm - 9.35pm, Matt Looney, Silver 414

Friday 9.00am - 10.00am, Erica Dixon, Silver 411

Monday 4.55pm - 5.55pm, Davin Reed, 194 Mercer 306

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.

BOOKS

1. P. Krugman and R. Wells, *Microeconomics*, 3rd edition.
Publisher: Worth. Available from the NYU Book Store. Cited as KW.
2. Elizabeth S. Kelly, *Study Guide to Microeconomics*, 3rd edition.
Publisher: Worth. Available from the NYU Book Store. Cited as Study Guide.
3. Additional textbook chapters, available mid-semester as a reader at Unique Copy, 252 Greene St.
 - Krugman and Wells, *Macroeconomics*, 3rd edition, Ch 6, 7 and parts of Ch 8, 11, 13.
 - Mankiw, *Principles of Microeconomics*, 6th edition, Ch 10 and 21.
 - Pindyck and Rubinfeld, *Microeconomics*, 7th edition, Ch 17.

COURSE WEBSITE ON NYU CLASSES (available from the first day of class)

The site can be accessed from the Academics tab in NYUHome. If you have not activated your account or have forgotten your password, go to <http://start.nyu.edu> . All announcements and class 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.

COURSE REQUIREMENTS

Readings (pre-class): Readings should be done prior to the class for which they are listed. Additional optional readings are posted on the website.

Exercises (pre-class): The assigned exercises should be completed before coming to class. These are not graded but we will assume you have done them and some classes 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 problems assigned from the textbook are slightly more challenging; the answers to these are posted on the website.

News Analysis and Discussion (pre-class): These materials are posted on the website. In assigned weeks, you should read the news article(s) and apply economic reasoning to the issues described. Then, write 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.

Videos (post-class): The class handout will sometimes include practice problems that should be completed after class. These optional videos (links are on the website) provide a step-by-step solution to these problems. You should complete the practice problem before watching.

Assignments (post-class) 10% of grade:

Eleven written assignments are posted on the course website. 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.

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**Recitations:**

Recitation sections in any given cycle will cover the same material. 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. 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.

Math Review:

If you are at all unsure of your basic math, algebra and graphing skills, you should either attend the Wagner Math Review course (NONCR-GP 0906) or work through this set of materials before the start of the semester:

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

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.

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

			Prepare Before Class		Complete After Class	
			Readings, Exercises	News Analysis	Video (optional)	Assignment due next class
1	27, 28 Jan	Introduction	X			X
2	3, 4 Feb	Demand, supply	X			X
3	10, 11 Feb	Elasticity, surplus	X	X	X	X
4	17, 18 Feb	Taxes, price controls	X	X	X	X
5	24, 25 Feb	Production	X	X		X
6	3, 4 Mar	Trade, tariffs	X	X		
7	10, 11 Mar	MIDTERM EXAM in class				
Spring Break						
8	24, 25 Mar	Consumer choice	X		X	X
9	31 Mar, 1 Apr	Labor markets	X	X		X
10	7, 8 Apr	Imperfect competition	X	X		X
11	14, 15 Apr	Information	X	X		X
12	21, 22 Apr	Externalities	X	X	X	X
13	28, 29 Apr	Public goods, macro	X	X		X
14	5, 6 May	Multiplier, review	X	X		
15	12, 13 May	FINAL EXAM in class				

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), 8 (up to p218).

Exercises: Study Guide - Ch 1 problems 1, 2; Ch 2 problems 2, 3, 13.
KW - Ch 2 problems 2, 4, 5, 6.

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: KW Ch 3.

Exercises: Study Guide - Ch 3 problems 2, 3, 4, 5, 6, 7.
KW - Ch 3 problems 1, 2, 4.

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: KW Ch 6 (read this first), 4, and 5 (pages 127-130 and 137-138 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: Minimum wage

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: KW Ch 7 and Ch 5 (up to p141).

Exercises: Study Guide - Ch 7 problems 1, 2, 3, 4; Ch 5 problems 3, 4.
KW - Ch 7 problems 6, 7.

Discussion: Tax

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: KW Ch 9 (up to page 258), 11 (up to page 333) and 12.

Exercises: Study Guide - Ch 9 problem 4; Ch 11 problems 5, 6; Ch 12 problems 1, 2, 5.
KW - Ch 9 problem 9; Ch 11 problems 2-5; Ch 12 problems 1,8, 10.

Discussion: Tar sands

Assignment: week 5 assignment due next class

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

International trade and tariffs. Review of economic applications.

Reading: KW Ch 8 (p218 onwards).

Exercises: Study Guide - Ch 8 problem 2.
KW - Ch 8 problems 1, 2, 4, 10.

Discussion: Steel tariffs

Week 7: Midterm examination (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 (in reader) Ch 21,
KW Ch 19 Appendix and Ch 9 (p258 onwards),
Save More Tomorrow (posted on website).

Exercises: Study Guide - Ch 13 problems 6c-f, 7.
Mankiw Ch 21 - problems 4, 5.

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; discrimination. Real versus nominal wages. Measuring unemployment; the natural rate of unemployment.

Reading: KW Ch 19 (skip p535-541),
KW *Macroeconomics* (in reader) 7 (p202 onwards) and Ch 8 (up to p228).

Exercises: Study Guide - Ch 19 problems 2, 8, 9.

Discussion: Global labor markets

Assignment: week 9 assignment due next class

Week 10: Imperfect competition

Long run costs and returns to scale. Overview of market structures; monopoly; price discrimination. Markets with multiple but limited firms; decision-making with interdependency.

Reading: KW Ch 11 (page 333-337), 13, 14 (up to p413).

Exercises: Study Guide - Ch 13 problems 1, 2, 3.
KW - Ch 13 problem 10.

Discussion: High speed internet

Assignment: week 10 assignment due next class

Week 11: 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 (in reader).

Exercises: KW - Ch 20 problems 12, 14.

Discussion: Micro-lending

Assignment: week 11 assignment due next class

Week 12: Externalities

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

Reading: Mankiw (in reader) Ch 10.

Exercises: Mankiw Ch 10 problems 3, 4 and 11.

Discussion: Tradable permits exercise (posted) - prepare auction strategy before class.

Video: Dry cleaning problem

Assignment: week 12 assignment due next class

Week 13: Public goods; Introduction to macroeconomics

Public goods and common resources. Review of market failures and the role of public policy. Introduction to macroeconomics and macroeconomic policy; national accounts; GDP.

Reading: KW Ch 17,
KW *Macroeconomics* (in reader) Ch 6 and 7(up to p201) .

Exercises: Study Guide - Ch 17 problem 1, 5.
KW - Ch 17 problem 4.
KW *Macroeconomics* – Ch 7 problem 6.

Discussion: Congestion in Singapore

Assignment: week 13 assignment due next class

Week 14: Short-run fiscal stimulus; Review of economic applications

The multiplier; fiscal policy; government spending versus tax cuts. Review of key lessons from the course.

Reading: KW *Macroeconomics* (in reader) Ch 11 (up to p317) and 13 (p377, 384-389).

Exercises: KW *Macroeconomics* - Ch 11 problem 1, Ch 13 problem 8.

Discussion: Fiscal multiplier

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.