

**THIS VERSION: 30 September 2016**

**New York University  
Robert F. Wagner Graduate School of Public Service  
CORE-GP 1018 Microeconomics, Fall 2016**

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**Teaching Colleagues:**

Matthew Looney, [mjl443@nyu.edu](mailto:mjl443@nyu.edu) (head TC)

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**Course Administrator:** Shannon Deere, 212.998.7417, [shannon.deere@nyu.edu](mailto:shannon.deere@nyu.edu)

**Lectures:**

Section 01: Tuesday 9.30am - 12.15pm, Silver 208, Sewin Chan

Section 02: Tuesday 6.45pm - 9.30pm, Silver 401, Michael Suher

Section 03: Wednesday 2.00pm - 4.45pm, Silver 411, Sewin Chan

Section 04: Wednesday 6.45pm - 9.30pm, Silver 414, Diana Beck

Section 05: Friday 12.00pm - 2.45pm, Silver 405, Erica Dixon

**Recitations:**

Section 08: Thursday 9.35pm - 10.35pm, Silver 401, Fei Li

Section 09: Friday 11.45am - 12.45pm, Silver 520, Matthew Looney

Section 10: Friday 3.00pm - 4.00pm, Silver 520, Matthew Looney

Section 11: Saturday 10.30am - 11.30am, 25W4 C-13, Tom Boman

Section 06: Monday 5.30pm - 6.30pm, Meyer 122, Pisei Chea

Section 07: Wednesday 8.45pm - 9.45pm, Silver 411, Rebecca Kellogg

Recitations begin on Thursday 8th September. The recitations run on a Thursday to Wednesday cycle. Students attending the Friday lecture should not attend recitation on Thursdays.

## **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.

## **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](http://wagner.nyu.edu/students/services/math_review)

or, attend the Wagner Math Review course (NONCR-GP 0906). Upcoming sections are:

NONCR-GP 0906 (002): Wednesdays 4:55-6:35pm for 5 weeks, Sep 14 - Oct 12.

NONCR-GP 0906 (003): Fridays 12:00-1:40pm for 5 weeks, Sep 16 - Oct 14.

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 available mid-semester as a reader at Unique Copy, 252 Greene St.
  - Krugman and Wells, *Macroeconomics*, 4th 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.

*We will send an announcement via NYU Classes when the course packet is available for purchase.*

## **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
<b>1</b>	6-9 Sep	8-14 Sep	Introduction	X			X
<b>2</b>	13-16 Sep	15-21 Sep	Demand, supply	X	X		X
<b>3</b>	20-23 Sep	22-28 Sep	Elasticity, surplus	X	X	X	X
<b>4</b>	27-30 Sep	29 Sep- 5 Oct	Taxes, price controls	X	X	X	X
<b>5</b>	4-7 Oct	6-12 Oct	Production	X	X	X	X
<b>6</b>	11-14 Oct	13-19 Oct	Trade, tariffs	X	X	X	
<b>7</b>	18-21 Oct		<b>MIDTERM EXAM</b> - in class				
<b>8</b>	25-28 Oct	27 Oct- 2 Nov	Consumer choice	X	X	X	X
<b>9</b>	1-4 Nov	3-9 Nov	Labor markets	X	X	X	X
<b>10</b>	8-11 Nov	10-16 Nov	Imperfect competition	X	X	X	X
<b>11</b>	15-18 Nov	17-19, 28-30 Nov	Information	X	X	X	X
			Thanksgiving week				
<b>12</b>	29 Nov- 2 Dec	1-7 Dec	Externalities	X	X	X	X
<b>13</b>	6-9 Dec	8-14 Dec	Public goods, macro	X	X	X	X
<b>14</b>	14-16 Dec*	15-16 Dec	Multiplier, review	X	X		
<b>15</b>	20-21 Dec**		<b>FINAL EXAM</b> - during class times				

\* Tuesday 13th December runs on a Monday schedule on the NYU calendar. The Tuesday lectures (sections 01 and 02) will be held at an alternate time, TBA.

\*\*Students in the Friday lecture (05) will take the exam during one of the other class time slots.

**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 (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  
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. Unemployment.

- Reading:** Ch 19  
Ch 19 appendix  
*Macroeconomics* (in reader) Ch 7 page 205 onwards  
*Macroeconomics* Ch 8 up to page 233
- Problems:** Ch 19: 8, 11  
Ch 19 appendix: 3  
*Macroeconomics* Ch 8: 3
- Discussion:** as assigned by instructor
- 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:** Ch 11 pages 345-end  
Ch 13  
Ch 14 up to page 425
- Problems:** Ch 11: 15  
Ch 13: 3, 4
- Discussion:** as assigned by instructor
- 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)  
Ch 20 pages 596-601 (optional)
- Problems:** Ch 20: 12, 14
- Discussion:** as assigned by instructor
- Assignment:** week 11 assignment due next class

### **Week 12: Externalities**

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

- Reading:** Mankiw (in reader) Ch 10
- Problems:** Mankiw Ch 10: 3, 4, 11
- Discussion:** Tradable permits exercise - prepare your 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:** Ch 17  
*Macroeconomics* (in reader) Ch 6  
*Macroeconomics* Ch 7 up to page 205
- Problems:** Ch 17: 1, 4, 13  
KW *Macroeconomics* Ch 7: 4, 6
- Discussion:** as assigned by instructor
- 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:** *Macroeconomics* Ch 11 up to page 324  
*Macroeconomics* Ch 13 pages 385 and 392-397
- Problems:** *Macroeconomics* Ch 11: 1  
*Macroeconomics* Ch 13: 16
- 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.