

New York University
Robert F. Wagner Graduate School of Public Service
CORE-GP 1018 Microeconomics, Summer 2017

Professor Erica Dixon

Lecture: Tuesday & Thursday 4:00PM – 6:45PM, 60 Fifth Avenue #110
Office hours: Tuesday 2:00PM – 3:00PM, Puck #3047 and by appointment
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Teaching Colleague: Fei Li

Recitation: Tuesday & Thursday 7:00PM – 8:00PM, 60 Fifth Avenue #110
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Tutor: Nadia Chait

Tutoring: Wednesday 5:00PM – 6:30PM, Puck Jersey Conference Room
Email: nadiachait@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.

BOOKS

1. P. Krugman and R. Wells, *Microeconomics*, 4th edition. Publisher: Worth. Available from the NYU Book Store.
2. Additional textbook chapters, available 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.

COURSE WEBSITE ON NYU CLASSES

The site can be accessed from the Academics tab in NYUHome 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 to the website. 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 on the course website 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 I 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. I 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.

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 (ie assignment 1 is due at the start of lecture 2). 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.

TUTORING AND RECITATION SESSIONS

Recitation sessions:

Fei Li will lead recitation sessions immediately after lecture on Tuesday & Thursday from 7:00PM – 8:00PM in 60 Fifth Avenue #110. Recitation sessions 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 also 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:

Nadia Chait will hold tutoring office hours on Wednesdays from 5:00 – 6:30PM in the Jersey Conference Room at the Puck Building (295 Lafayette Street). Tutoring is not a substitute for the recitation sessions, 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 work through this set of materials before class starts: 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 standards of academic integrity:

Assignments: While I 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
1	May 23	May 23	Introduction	X			X
2	May 25	May 25	Demand, supply	X	X		X
3	May 30	May 30	Elasticity, surplus	X	X	X	X
4	June 1	June 1	Taxes, price controls	X	X	X	X
5	June 6	June 6	Production	X	X	X	X
6	June 8	June 8	Trade, tariffs	X	X	X	
7	June 13		MIDTERM EXAM				
8	June 15	June 15	Consumer choice	X	X	X	X
9	June 20	June 20	Labor markets	X	X	X	X
10	June 22	June 22	Imperfect competition	X	X	X	X
11	June 27	June 27	Information	X	X	X	X
12	June 29	June 29	Externalities	X	X	X	X
	July 4		NO CLASS				
13	July 6	July 6	Public goods, macro	X	X	X	X
14	July 11	July 11	Multiplier, review	X	X		
15	July 13		FINAL EXAM				

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 258
Ch 11 up to page 346
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 218 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 258 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 345-349
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.