



**NYU**

**ROBERT F. WAGNER GRADUATE  
SCHOOL OF PUBLIC SERVICE**

# **CORE-GP 1018**

## **Microeconomics**

### **Fall 2018**

#### **Instructors Information**

- **Professor Ingrid Gould Ellen**
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- **Professor Sewin Chan**
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- **Professor Erica Dixon**
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- **Professor Rozlyn Engel**
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- **Teaching Assistants:**
  - Matt Looney, [mjl443@nyu.edu](mailto:mjl443@nyu.edu) (head TA)
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- **Course Administrator:**
  - Catherine Falzone
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#### **Lectures:**

- Section 01: Tuesday 9.30am–12.15pm, Kimmel, Rm 803, Ingrid Ellen
- Section 02: Wednesday 2.00pm–4.45pm, Kimmel, Rm 808, Sewin Chan
- Section 03: Wednesday 6.45pm–9.30pm, 194 Mercer, Rm 306, Sewin Chan
- Section 04: Thursday, 9.30am–12.15pm, Kimmel, Rm 803, Erica Dixon
- Section 05: Thursday, 6.45pm–9.30pm, 12 Waverly, Rm L120, Rozlyn Engel

## Recitations:

- Section 06: Thursday 8.45pm–9.45pm, Silver, Rm 414, Becky Kellogg
- Section 07: Friday 12.30pm–1.30pm, Meyer, Rm 102, Xiaodi Li
- Section 08: Monday 5.00pm–6.00pm, 194 Mercer, Rm 306, Pisei Chea
- Section 09: Monday 5.30pm–6.30pm, 19 University Pl., Rm 102, Matt Looney
- Section 10: Monday 8.45pm–9.45pm, 19 University Pl., Rm 102, Matt Looney
- Section 11: Tuesday 5.30pm–6:30 pm, Silver, Rm. 414, Nadia Chait

Recitations begin on Thursday September 6 and run on a **Thursday through Tuesday** schedule. Tutoring sessions begin on Monday September 10.

## Course Description and Objectives

Students completing the course should gain the following knowledge and skills:

1. The ability to articulate tradeoffs in terms of opportunity cost, for individuals and for organizations.
2. An understanding of comparative advantage and the gains from trade.
3. The ability to employ marginal analysis in all types of decision making.
4. An understanding of how economic agents (consumers, organizations, workers, etc.) behave and respond to incentives, and how those decisions collectively affect aggregate outcomes.
5. An understanding of how markets work, and the ability to analyze the impact of economic events on market and organizational outcomes.
6. The ability to recognize the strengths and weaknesses of markets as a way to organize economic activity, and when market failures are likely to arise. An understanding of how public policy can improve market outcomes.
7. The ability to analyze and compare the efficiency and equity implications of alternative policy interventions.

The exams and assignments assess all of the above learning objectives.

## 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: [Math Review](http://wagner.nyu.edu/students/services/math_review) ([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). The next sections are:

- Wednesdays, 4.55–6.35pm for 5 weeks, Sep. 12–Oct. 10
- Fridays, 12.00–1.40pm for 5 weeks, Sep. 14–Oct. 12

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. The required book for the course is McGraw-Hill's **Microeconomics (2nd edition)** by Dean Karlan and Jonathan Morduch. Available from the NYU Book Store. The textbook is also available in Course Reserves at Bobst. **Do not purchase the 1st edition.**
2. Additional readings will be available on the course website.

## Course Website on NYU Classes

The site can be accessed from the Academics tab in NYU Home or directly here: [NYU Classes](https://newclasses.nyu.edu) (<https://newclasses.nyu.edu>) . If you have not activated your account or have forgotten your password, go to [Start NYU](http://start.nyu.edu) (<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 materials on the site are organized by week and can be accessed using the tabs on the left navigation bar. Within each week's tab, the content is sorted by pre-class activities, class handouts, and post-class activities.**

## Course Requirements

### Readings (pre-class):

Readings should be done prior to the class for which they are listed.

### Review Questions and Problems (pre-class):

The assigned problems from the textbook should be completed before coming to class. You do not need to hand these in, but we will assume you have done them. The answers to these problems are posted in the pre-class activities section of each week's tab, however, do **not** consult these before trying the problems on your own.

### News Analysis and Discussion (pre-class):

For approximately half of the classes, your instructor will assign specific readings for discussion along with a set of discussion questions. You should apply economic reasoning to the issues raised in these readings 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.

### Mini quizzes (pre-class) and assignments (post-class), 10% of grade:

Brief **online multiple choice mini-quizzes** on the reading material will be graded pass/fail and count toward your course grade. Mini-quizzes will be administered through the Classes site, and will close **one hour before the scheduled lecture**. You should plan to log in and take the quiz well before the site closes; you cannot be excused from taking a quiz due to last minute connectivity problems. In tallying your score on the mini-quizzes, you are permitted to have missed (i.e. received a zero) on one quiz, without penalty.

## Assignments (post-class):

**The eleven written assignments** are posted in the tab for the week when the material covered in the assignment is taught. These assignments apply concepts from the course to specific problems, and form the basis for the weekly recitations. Please type any part of your answer involving text into the MS Word document and print it out, or handwrite legibly on a separate sheet of paper; do not try to squeeze handwriting onto the PDF. **Completed assignments should be handed to the professor at the start of the next lecture, or handed to Catherine Falzone 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.

## Practice problems (post-class):

The weekly tabs often include practice problems that you can complete after class for additional practice. Answers are posted. You should complete the practice problem on your own before looking at the answers.

## Additional study materials (post-class):

The recitation handouts (see below) include additional practice problems. Videos relating to the lecture topics are available in some weeks in the post-class section of each week's tab.

## Exams, 90% of grade:

- **40% of grade:** In-class midterm exam. No make-ups.
- **50% of grade:** Cumulative final exam. 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 class handout section of each week's tab. 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 locations. This tutoring is not a substitute for the recitations, but an additional resource for questions best addressed one-on-one.

## Statement of Academic Integrity

Academic integrity is a vital component of Wagner and NYU. All students enrolled in this class are required to read and abide by [Wagner's Academic Code](#). All Wagner students have already read and signed the [Wagner Academic Oath](#). Plagiarism of any form will not be tolerated and students in this class are expected to report violations to their professor. If any student in this class is unsure about what is expected of you and how to abide by the academic code, you should consult with your professor.

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 may result in all participating students failing the course and being remanded to the discipline committee for further action.

## Henry and Lucy Moses Center for Students with Disabilities at NYU

Academic accommodations are available for students with disabilities. Please visit the [Moses Center for Students with Disabilities \(CSD\) website](#) and click on the Reasonable Accommodations and How to Register tab or call or email CSD at (212-998-4980 or [mosescsd@nyu.edu](mailto:mosescsd@nyu.edu)) for information. Students who are requesting academic accommodations are strongly advised to reach out to the Moses Center as early as possible in the semester for assistance.

## NYU's Calendar Policy on Religious Holidays

[NYU's Calendar Policy on Religious Holidays](#) states that members of any religious group may, without penalty, absent themselves from classes when required in compliance with their religious obligations. Please notify your professor in advance of religious holidays that might coincide with exams to schedule mutually acceptable alternatives.

## Detailed Course Outline

Unless otherwise noted, all readings, review questions and problems are from Karlan & Morduch 2nd edition.

### 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.

Lectures:

4-6 Sep.

Recitations:

6-11 Sep.

Reading (complete before class):

- Chapter 1
- Chapter 2
- Appendix A
- Chapter 17 up to page 425

Review Questions (complete before class):

- Chapter 2: 2, 6, 7

Problems (complete before class):

- Chapter 2: 2, 6, 10, 12, 16
- Appendix A: 3, 5, 10, 12

Assignment (complete after class):

- Week 1 Assignment

### Week 2: Demand and supply basics: price determination

Fundamental model of competitive markets, demand and supply curves; market determination of price and market equilibrium.

Lectures:

11-13 Sep.

Week 1 Assignment due at the start of class

Recitations:

13-18 Sep.

Reading (complete before class):

- Chapter 3
- Appendix B

Review Questions (complete before class):

- Chapter 3: 4, 8, 13

Problems (complete before class):

- Chapter 3: 3, 5, 6, 9, 14, 15, 16
- Appendix B: 5, 6, 11

Mini quiz

Due one hour before class.

Assignment (complete after class):

- Week 2 Assignment

### 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. Price ceilings and floors.

Lectures:

18-20 Sep.

Week 2 assignment due at the start of class

Recitations:

20-25 Sep.

Reading (complete before class):

- Chapter 4
- Appendix C
- Chapter 5
- Appendix D
- Chapter 6 up to page 140
- Additional reading (posted in week 3 tab)

Review Questions (complete before class):

- Chapter 4: 8

- Chapter 5: 7, 14
- Chapter 6: 3

Problems (complete before class):

- Chapter 4: 3, 4, 7, 19
- Chapter 5: 14
- Chapter 6: 1

News analysis and discussion (prepare before class)

Mini quiz

Due one hour before class.

Assignment (complete after class):

- Week 3 Assignment

## Week 4: Policy interventions: taxes and subsidies

What happens when policy interventions interfere with supply or demand? Tax incidence, deadweight loss and efficiency.

Lectures:

25-27 Sep.

Week 3 assignment due at the start of class

Recitations:

27 Sep. – 2 Oct.

Reading (complete before class):

- Chapter 6
- Chapter 20 up to page 503
- Additional reading (posted in week 4 tab)

Review Questions (complete before class):

- Chapter 6: 6, 8

Problems (complete before class):

- Chapter 6: 11, 14, 21, 22

Mini quiz

Due one hour before class.

Assignment (complete after class):

- Week 4 Assignment

## 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; short-run versus long-run; profit maximization and output decisions of competitive firms.

Lectures:

2-4 Oct.

Week 4 assignment due at the start of class

Recitations:

4-9 Oct.

Monday, Oct. 8 is an NYU holiday. Monday recitations (sections 08-10) will be held at their regular Monday time slots on Tues. Oct. 9 (a legislative Monday). The Tuesday recitation (section 11) will be canceled. If you are in section 11, you may attend any other recitation this week.

Reading (complete before class):

- Chapter 8 pages 197-198
- Chapter 12 up to page 288
- Chapter 13 up to page 311

Review Questions (complete before class):

- Chapter 8: 4, 5
- Chapter 12: 5
- Chapter 13: 5

Problems (complete before class):

- Chapter 8: 4
- Chapter 12: 10, 11
- Chapter 13: 5

Mini quiz

Due one hour before class.

Assignment (complete after class):

- Week 5 Assignment

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

Market dynamics in the long run. International trade and tariffs. Review of economic applications.

Lectures:

8, 10-11 Oct.

Week 5 assignment due at the start of class

Tuesday, Oct. 9 is a legislative Monday. Professor Ellen's Tuesday lecture (section 01) is tentatively rescheduled for Mon., Oct. 8.

Recitations:

11-16 Oct.

Reading (complete before class):

- Mankiw Chapter 14 pages 279-284 (posted in week 6 tab)
- Chapter 17
- Additional reading (posted in week 6 tab)

Review Questions (complete before class):

- Chapter 13: 11
- Chapter 17: 4, 9

Problems (complete before class):

- Chapter 13: 14
- Chapter 17: 3, 5, 9

News analysis and discussion (prepare before class)

Mini quiz

Due one hour before class.

## Week 7: Midterm examination (covers weeks 1-6)

Dates:

16-18 Oct.

Midterm exam held during lecture time slots.

No recitations this week.

## Week 8: Consumer choice and decision-making

Rational decision-making for price-taking consumers; budget constraints, utility; income and substitution effects. Behavioral economics and choice architecture.

Lectures:

23-25 Oct.

Recitations:

25-30 Oct.

Reading (complete before class):

- Chapter 7
- Chapter 8
- Chapter 23
- Additional reading (posted in week 8 tab)

Review Questions (complete before class):

- Chapter 7: 6, 8

Problems (complete before class):

- Chapter 7: 6, 8, 9

Mini quiz

Due one hour before class.

Assignment (complete after class):

- Week 8 Assignment

## Week 9: Labor markets

Labor market demand and supply; marginal productivity; human capital theory; compensating differentials; labor market discrimination. Real versus nominal wages.

Lectures:

30 Oct. – 1 Nov

Week 8 assignment due at the start of class

Recitations:

1-6 Nov.

Reading (complete before class):

- Chapter 16
- Chapter 21 page 546 onwards
- Additional reading (posted in week 9 tab)

Problems (complete before class):

- Chapter 16: 1, 2, 4, 7, 9, 11

News analysis and discussion (prepare before class)

Mini quiz

Due one hour before class.

Assignment (complete after class):

- Week 9 Assignment

## Week 10: Imperfect competition

Long run costs and returns to scale. Overview of market structures; monopoly; price discrimination; oligopoly.

Lectures:

6-8 Nov.

Week 9 assignment due at the start of class

Recitations:

8-13 Nov.

Reading (complete before class):

- Chapter 12 page 289 onwards
- Chapter 14
- Chapter 15 pages 371-375, 378
- Additional reading (posted in week 10 tab)

Review Questions (complete before class):

- Chapter 14: 3, 12
- Chapter 15: 15

Problems (complete before class):

- Chapter 12: 15, 16
- Chapter 14: 5, 11, 12

News analysis and discussion (prepare before class)

Mini quiz

Due one hour before class.

Assignment (complete after class):

- Week 11 Assignment

## Week 11: Game Theory and Strategic Behavior

Decision-making with interdependency, game theory, payoff matrices, decision trees. Auctions.

Lectures:

13-15 Nov

Week 10 assignment due at the start of class

Recitations:

15-20 Nov.

Reading (complete before class):

- Chapter 9
- Chapter 15 pages 375-377
- Additional reading (posted in week 11 tab)

Review Questions (complete before class):

- Chapter 9: 3, 5

Problems (complete before class):

- Chapter 9: 3, 4, 11, 12
- Chapter 15: 12

News analysis and discussion (prepare before class)

Mini quiz

Due one hour before class.

Assignment (complete after class):

- Week 11 Assignment

## Thanksgiving Break

Dates:

No lectures Tue., Nov. 20-Thu. Nov. 22

No recitations Thu. Nov. 22-Tue. Nov. 27

## Week 12: Asymmetric information and incentives

Asymmetric information; moral hazard and adverse selection in insurance markets and the workplace; principal-agent problems and incentives.

Lectures:

27-29 Nov.

Week 11 assignment due at the start of class

Recitations:

29 Nov.-4 Dec.

Reading (complete before class):

- Chapter 10
- Chapter 11 page 258 onwards
- Additional reading (posted in week 12 tab)

Review Questions (complete before class):

- Chapter 10: 6, 9
- Chapter 11: 12, 16

Problems (complete before class):

- Chapter 10: 5, 13
- Chapter 11: 12, 16, 17

News analysis and discussion (prepare before class)

Mini quiz

Due one hour before class.

Assignment (complete after class):

- Week 12 Assignment

## Week 13: Externalities

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

Lectures:

4-6 Dec.

Week 12 assignment due at the start of class

Recitations:

6-11 Dec.

Reading (complete before class):

- Chapter 18

Review Questions (complete before class):

- Chapter 18: 2, 4, 10

Problems (complete before class):

- Chapter 18: 3, 4, 6

News analysis and discussion (prepare before class):

- Tradable permits exercise - prepare your auction strategy before class.

Mini quiz

Due one hour before class.

Assignment (complete after class):

- Week 13 Assignment

## Week 14: Public goods; Review of economic applications

Public goods and common resources. Review of market failures and the role of public policy. Review of key lessons from the course.

Lectures:

11-13 Dec.

Week 13 assignment due at the start of class

Recitations:

13-14 Dec.

Only two recitation section will be held: Thu. Dec. 13 (section 06) and Fri. Dec. 14 (section 07).

Dec. 17-18 recitations (sections 08-11) are canceled.

We will record Thursday's section and post on NYU Classes.

Reading (complete before class):

- Krugman and Wells Chapter 17 (posted in week 14 tab)
- Additional reading (posted in week 14 tab)

Problems (complete before class):

- Krugman and Wells Chapter 17: 1, 4, 13

News analysis and discussion (prepare before class)

Mini quiz

Due one hour before class.

## Week 15: Final examination (weeks 1-14)

Dates:

18-20 Dec

Final exam held during lecture time slots for sections 01-04. The final exam for Prof. Coleman's Thursday lecture (05) will be held on Wed. Dec. 19 in the evening.

## 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.