

**New York University**  
**Robert F. Wagner Graduate School of Public Service**  
**CORE-GP 1018 Microeconomics, Fall 2014**

Section 1: Tuesday 9:30am - 12:15pm, Professor Ellen, Kimmel 803

Section 2: Tuesday 6:45pm - 9:30pm, Professor De la Roca, 194 Mercer 203

Section 3: Thursday 11:00am - 1:45pm, Professor Suher, Silver 414

Section 4: Thursday 6:45pm – 9:30pm, Professor Dixon, Silver 208

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**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 as a reader at Unique Copy, 252 Greene St.
  - Krugman and Wells, *Macroeconomics*, 3rd edition, Ch 6 and parts of Ch 7, 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. Do not put your assignment in anyone's mailbox. Late assignments will not receive any 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:**

Recitations run on a Thursday to Monday cycle following the lectures that take place Tuesday to Thursday. These recitation sections will cover the same material for any given cycle:

Thursdays 8:35 – 9:35pm, Matt Looney, Silver 520

Fridays 9:30-10:30am, Rebecca Kellogg, Meyer 121

Fridays 12:30 – 1:30pm, Fei Li, Silver 414

Mondays 5:00 – 6:00pm, Jonathan Cantor, 12 Waverly Place, L120

Mondays 8:35 – 9:35pm, Tom Boman, Silver 208

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:

[http://wagner.nyu.edu/students/services/math\\_review.php#Step-2](http://wagner.nyu.edu/students/services/math_review.php#Step-2)

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

	<b>Week beginning on:</b>		<b>Readings, Exercises</b>	<b>News Analysis and Discussion</b>	<b>Assignment due in class</b>	<b>Video (optional, after class)</b>
<b>1</b>	2 Sep	Introduction	X			
<b>2</b>	9 Sep	Demand, supply	X		X	
<b>3</b>	16 Sep	Elasticity, surplus	X	X	X	X
<b>4</b>	23 Sep	Taxes, price controls	X	X	X	X
<b>5</b>	30 Sep	Production	X	X	X	
<b>6</b>	7 Oct	Trade, tariffs	X	X	X	
<b>7</b>	14 Oct*	<b>MIDTERM EXAM in class</b>				
<b>8</b>	21 Oct	Consumer choice	X			X
<b>9</b>	28 Oct	Labor markets	X	X	X	
<b>10</b>	4 Nov	Imperfect competition	X	X	X	
<b>11</b>	11 Nov	Information	X	X	X	
<b>12</b>	18 Nov	Externalities	X	X	X	X
		Thanksgiving week				
<b>13</b>	2 Dec	Public goods, macro	X	X	X	
<b>14</b>	9 Dec	Multiplier, review	X	X	X	
<b>15</b>	16 Dec	<b>FINAL EXAM in class</b>				

\*The Tuesday section will meet on 14 October, despite the University calendar's fall break.

**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.

**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 1 assignment due

**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 2 assignment due

**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:** Live music tax

**Video:** Dog walking problem

**Assignment:** Week 3 assignment due

### **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 4 assignment due

### **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

**Assignment:** Week 5 assignment due

### **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

### **Week 9: Labor markets**

Labor market demand and supply; marginal productivity; human capital theory; compensating differentials; discrimination. Measuring unemployment; the natural rate of unemployment.

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

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

**Discussion:** Global labor markets

**Assignment:** Week 8 assignment due

**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:** Designer sunglasses

**Assignment:** Week 9 assignment due

**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 10 assignment due

**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 11 assignment due

**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 12 assignment due



**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

**Assignment:** Week 13 assignment due

**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.