COURSE TITLE: Microeconomics for the Global Economy - MBAD 6242 - 10

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OFFICE HOURS: By appointment.

CLASS MEETINGS: Saturdays, 12:30 to 15:00, Duques 353

COURSE DESCRIPTION:

Microeconomics is concerned with the efficient allocation of limited resources in the economy and the determination of equilibrium prices and quantities of goods and services produced, consumed and traded in the international markets. Therefore, we study the determinants of demand and supply for individual products and their interaction in establishing market equilibrium. In turn, the latter will be conditioned on the structure of the market (perfect competition, monopoly, oligopoly, monopolistic competition), and the existence of subsidies or taxes, and externalities. However, the emphasis will be on the theory of the firm and on how they make their production decisions in order to maximize profits. We will also study the government’s role and international trade in the determination of market equilibrium.

COURSE OBJECTIVES:

The course aims at providing students with tools that would allow them to understand and analyze:

· The functioning of a market economy.
· Households and firms behavior regarding their decisions to allocate theirs limited resources.
· The interaction between demand and supply in the determination of market equilibrium.
· The different types of market structure (perfect competition, monopoly, and monopolistic competition) in which firms operate, and implications for firms’ marketing strategies
· Market distortions arising from subsidies and excise taxes to products; and the government’s role in dealing with market failures.
· International trade and government trade policies.
READINGS AND MATERIALS:


TIMING AND GRADING:

<table>
<thead>
<tr>
<th>Assignment</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Take-home mid-term exam</td>
<td>20%</td>
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<tr>
<td>Term paper due</td>
<td>40%</td>
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<td>Final exam</td>
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The term paper should have a maximum extension allowed of 10 pages written in double space with Font 12. Please, select a particular good or service market, analyze its structure, discuss the characteristics of its demand and supply, the prevalence of an excise or value added tax, subsidy, trade barriers, price control, etc.

Late submission of the term paper is subject to a penalty of ten percent of the paper’s grade.

ASSIGNMENTS

Prior to each class session, students are expected to complete the required readings for the assigned session.

OUTLINE OF TOPICS

Class 1.

**Introduction:** What is Microeconomics? Tools of Microeconomics. Themes of Microeconomics. Uses of Microeconomics.

**Demand and Supply:** Demand Curves and Supply Curves.

**Market Equilibrium:** Changes in Market Equilibrium.

**Elasticities of Demand and Supply:** The Price Elasticity of Demand. The Price Elasticity of Supply.

Class 2.


**Constraints, Choices, and Demand:** Income, Prices and the Budget Line. Utility Maximization. Prices and Demand. Income and Demand.

**Measuring Changes in Consumer Welfare Using Demand Curves:** Consumer surplus

**Substitution and Income Effects:** Why Do Demand Curves Usually Slope Downward?

Class 3.

**Technology and Production:** Production Functions. Production in the Short Run and the Long Run.

**Production with One Variable Input:** Average Product. Marginal Product.

**Production with Two Variable Inputs:** Isoquants. Average and Marginal Products with More than One Input. Substitution between Inputs. The Marginal Rate of Technical Substitution and Marginal Products.

**Returns to Scale:** Implications of Returns to Scale.

**Productivity Differences and Technological Change:** Reasons for Productivity Differences.

Class 4.


**Economies and Diseconomies of Scale and Scope:**

**Profit Maximization:** Choosing Price versus Choosing Quantity. Marginal Revenue, Marginal Cost, and Profit Maximization.

**Supply Decisions by Price-Taking Firms:** The Law of Supply. Changes in Input Prices and Shifts in the Supply Function.

**Short-Run versus Long-Run Supply by Price-Taking Firms.**
Producer Surplus.

Class 5.


Class 6.


Class 7.


**Asymmetric Information.** Adverse Selection. Signaling. Screening. Incentives and Moral Hazard.