**PMBA, MBAD6242**  
**Microeconomics for the Global Economy**  
School of Business, The George Washington University

**Professor:** Jiawen Yang, Ph.D.  
Professor of International Business and International Affairs  
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(Please specify the class you are in when you send emails; Contact TA first for questions)

**Teaching Assistant:** To be determined and announced on Blackboard  
**Office hours:** 4:30pm-6:30pm, Wednesday (for professor and TA)  
**Office address:** 401B Funger Hall (2201 G Street, NW)

**Course Description:**
Microeconomics is concerned with the behavior of individual entities such as individuals/households as consumers, firms or enterprises as producers, and individual markets. We first examine how consumers maximize their happiness given the constraint of their income or wealth resources and how firms make investment and production decisions in order to maximize profits and shareholders’ wealth. We then investigate how consumers’ demand and the producers’ supply interact to determine the equilibrium prices and quantities in individual markets. The course provides analysis of market structure and market environment (perfect competition, monopoly, oligopoly, and monopolistic competition). The government’s role in the economy and international trade theories/policies are also discussed in the course.

**Course Objectives:**
- To understand the basics of a market economy and the current global market environment.  
- To understand how households and firms (consumers and producers) make decisions to allocate limited resources.  
- To understand how demand and supply interact to determine market prices and quantities.  
- To analyze the different types of market structures (perfect competition, monopoly, oligopoly, and monopolistic competition) in which firms operate.  
- To understand the government’s role in dealing with market failures in the economy.  
- To understand why nations trade, government trade policies, and principles of the World Trade Organization.
Required Readings:

Lecture notes and PowerPoint (PPT) slides (posted on Blackboard): They help course participants focus on the main points in the lectures.


Other materials: Selected articles from academic and business journals and other publications may be added to the readings as the course is in session.

See required readings for each specific class session in “Session Outlines and Reading Assignments” of this syllabus.

Recommended Supplementary Readings:


Requirements, Assignments, Tests, and Grading:

This course requires basic math skills in arithmetic, algebra, and geometry, as well as an ability to manipulate data, read graphs, and pay attention to details.

Students’ performance in the course is evaluated as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>Points</th>
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<tbody>
<tr>
<td>Weekly homework assignments</td>
<td>60</td>
</tr>
<tr>
<td>Final exam (in Week 8)</td>
<td>30</td>
</tr>
<tr>
<td>Participation</td>
<td>10</td>
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<tr>
<td>Total</td>
<td>100</td>
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Blackboard: Blackboard will be used extensively for posting course material, course administration, and communication, in addition to class discussions. Students are expected to access Blackboard on a regular basis while the course is in session for updates of course materials, announcements, and other course related information.

Weekly homework assignments: There will be seven weekly homework assignments (one for each session of the first seven weeks). Students may take one or two attempts for each assignment. The score for two attempts will be the average of these two. Students are required to complete and submit these assignments on Blackboard by the designated deadlines (See Syllabus & Schedules on Blackboard). Students are recommended to take the assignments early so as to avoid emergencies immediately before the deadlines. Late submission is subject to a one-time penalty of 50% of the assignment grade.

No makeup assignments will be accepted. Instead, six of the seven assignments will count toward
the final course grade. That is, if you miss one assignment, your score for that assignment (virtually zero) is dropped out without affecting your course grade. If you complete all seven assignments, the assignment with the lowest score is automatically dropped out. The resulting six assignments will have an equal weight of 10 points each.

**Final exam:** The final exam covers materials contained in the teaching notes, PowerPoint presentations, class discussions, the required text, and other required readings. The final exam covers the entire course. The exam is a closed book exam. However, a calculator and a self-prepared 8½” by 11” cheat sheet (you can write on both sides) are allowed for the exam. Makeup for the exam is only allowed for emergencies, under which circumstances a physician’s note or other appropriate evidence should be provided. The makeup exam may be different from the original one.

**Class participation:** Full attendance and active participation are required for the course. Participation is based on attendance, ability to answer questions and contributions to class discussions, and timely completion of in-class exercises. Two points are deducted for each missing class (including partial absence) to a maximum of 10 points.

**Grading Policy:**
- **The grades are curved.** The Faculty of the School of Business decided to implement a rigorous grade distribution format with limited numbers of students receiving high grades. The MBA Faculty Task Force recommends that the grade distribution of the class has an average within the range between 3.2 and 3.4 and no more than 20% of the class receives a grade of A.

**Disability Services:**
Any student who may need an accommodation based on the potential impact of a disability should contact the Disability Support Services office to establish eligibility and to coordinate reasonable accommodations. For additional information please refer to: [http://gwired.gwu.edu/dss/](http://gwired.gwu.edu/dss/).

**Academic Integrity:**
Conduct and all work in this course must be in accordance with the GW Code of Academic Integrity. Academic dishonesty is defined as cheating of any kind, including misrepresenting one’s own work, taking credit for the work of others and the fabrication of information. Any assignment including plagiarized content will receive zero points. Please visit the following website for more information: [http://www.gwu.edu/~ntegrity/code.html](http://www.gwu.edu/~ntegrity/code.html).
Session Outlines and Reading Assignments

Session 1     Introduction; Supply and Demand

Topics:
- Central concepts of economics
- Major problems that an economy has to solve
- The “invisible hand”
- Alternative economic systems in the world
- Inputs, outputs, technology, and production possibility frontier (PPF)
- Specialization and exchange
- Basic elements of supply and demand

Required readings:
- Lecture note
- Samuelson and Nordhaus, 2010:
  - Chapter 1: The Central Concepts of Economics
  - Appendix 1: How to Read Graphs
  - Chapter 2: The Modern Mixed Economy
  - Chapter 3: Basic Elements of Supply and Demand

Supplementary readings:
- Perloff, 2012:
  - Chapter 1: Introduction
  - Chapter 2: Supply and Demand

Session 2     Demand and Consumer Behavior

Topics:
- Utility and marginal utility
- The law of diminishing marginal utility
- Price elasticity of demand and calculation
- Income effect and substitution effect
- Consumer surplus and calculation
- Indifference curves and indifference maps
- Consumer equilibrium with indifference curve and budget constraint

Required readings:
- Lecture note
- Samuelson and Nordhaus, 2010:
  - Chapter 4: Supply and Demand: Elasticity and Application
  - Chapter 5: Demand and Consumer Behavior
  - Appendix 5: Geometrical Analysis of Consumer Equilibrium

Supplementary readings:
- Perloff, 2012:
  - Chapter 3: Applying the Supply-and-Demand Model
  - Chapter 4: Consumer Choice
  - Chapter 5: Applying Consumer Theory
Session 3   Firm Theory: Production and Costs
Topics:
The theory of production and marginal products
Production functions, total product, marginal product, average product
The law of diminishing returns
Returns to scale
Costs: Total cost, fixed cost, variable cost
Average total cost, average fixed cost, average variable cost
Marginal cost
Required readings:
   Lecture note
   Samuelson and Nordhaus, 2010:
      Chapter 6: Production and Business Organization
      Chapter 7: Analysis of Costs
Supplementary readings:
   Perloff, 2012:
      Chapter 6: Firms and Production
      Chapter 7: Costs

Session 4   Perfect Competition
Topics:
Firm behavior in a perfectly competitive market
Profit maximization in a perfectly competitive market
The break-even and shutdown conditions for a perfectly competitive firm
Economic profit
The supply curve of a competitive firm and the marginal cost curve
Producer surplus
Market equilibrium with supply and demand
The efficiency of perfect competition
Required readings:
   Lecture note
   Samuelson and Nordhaus, 2010:
      Chapter 8: Analysis of Perfectly Competitive Markets
Supplementary readings:
   Perloff, 2012:
      Chapter 8: Competitive Firms and Markets
      Chapter 9: Applying the Competitive Model
Session 5  Imperfect Competition
Topics:
  Market structures: Definitions and classifications
  Monopoly profit maximization
  Market structures and market power
  Collusive oligopoly
  Monopolistic competition
  Oligopoly and game theory
  Price discrimination
Required readings:
  Lecture note
  Samuelson and Nordhaus, 2010:
    Chapter 9: Imperfect Competition and Monopoly
    Chapter 10: Competition among the Few
Supplementary readings:
  Perloff, 2012:
    Chapter 11: Monopoly (Sessions 11.1 through 11.4)
    Chapter 12: Pricing and Advertising
    Chapter 13: Oligopoly and Imperfect Competition
    Chapter 14: Game Theory

Session 6  The Government and the Economy
Topics:
  Market failures and imperfections
  Inefficiency under monopoly
  Externalities
  Public goods
  Efficiency and equity
  The Gini coefficient (index)
  Role of the government
Required readings:
  Lecture note
  Samuelson and Nordhaus, 2010:
    Chapter 10: Competition among the Few (Section C, pp. 199-206)
    Chapter 11: Economics of Uncertainty (pp. 211-221)
    Chapter 16: Government Taxation and Expenditure (pp. 303-314)
    Chapter 17: Efficiency vs. Equality: The Big Tradeoff (pp. 323-326)
Supplementary readings:
  Perloff, 2012
    Chapter 11: Monopoly (Sections 11.5 and 11.6)
    Chapter 18: Externalities, Open-Access, and Public Goods
Session 7  International Trade Theories and Policies

Topics:
  The mercantilist view of trade
  Trade based on mutual benefits
  Comparative advantage: The Ricardo model
  Comparative advantage: The H-O model
  Inter- and intra-industry trade
  Arguments for and against protection
  Major principles of the WTO
  Case analysis: current issues in international trade

Required readings:
  Lecture note
  Samuelson and Nordhaus, 2010:
    Chapter 18: International Trade

Supplementary readings:

Session 8  Final Examination