



Business

MBAD6242

Microeconomics for the Global Economy

School of Business, The George Washington University

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(Please use the Q&A Board on Blackboard for questions related to course contents)

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 (consumers) and firms (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 structure (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.

Expected Hours of Work for the Course:

Over 7 weeks, students will spend 2 hours (100 minutes) per week in lectures and discussions (including recorded video sessions, PowerPoint presentations, and synchronous sessions). Required readings and homework assignments are expected to take up, on average, 7 hours (350 minutes) per week. Over the course of the semester, students will spend 14 hours in instructional time and 49 hours preparing for class. The final exam requires additional hours for preparation and taking the exam.

Required Readings:

Teaching (Lecture) notes and **PowerPoint presentations (PPT)** (posted on Blackboard):

These are the primary reading for the course. They summarize the contents from the textbook and other related material, and help course participants remain focused on key concepts of the subjects.

Required text: Samuelson and Nordhaus. *Economics*, 19th edition. McGraw-Hill/Irwin, 2010. ISBN 978-0-07-351129-0; MHID 0-07-351129-3. *(An earlier edition of the text is fine, but you have to find the corresponding chapters for the required readings.)*

Other materials: Selected articles from academic and business journals and other publications may be added to the readings as the course is in session. Students are encouraged to follow real world economic developments by reading one or more major economic and business journals on a regular basis.

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

Recommended Supplementary Readings:

Perloff, Jeffrey M. *Microeconomics*, 8th edition. Pearson, 2018. Print ISBN: 9780134519531, 0134519531; eText ISBN: 9780134543857, 0134543858. This textbook provides more quantitative analysis of the subjects covered in the course. Though not required, students are encouraged to read selected parts of the text for more in-depth and advanced learning of certain subjects.

Akerlof, George A. and Robert J. Shiller. *Phishing for Phools: The Economics of Manipulation and Deception*. Princeton University Press. Paperback, 2016, ISBN: 9780691173023; Hardcover, 2015, ISBN: 9780691168319. This book strikes a radically new direction in economics and offers a much more general account of why free markets and competition cause serious problems.

There are other supplementary readings listed for some sessions. Supplementary readings are not included in homework assignments or the final exam unless they are referred in the teaching notes.

Requirements, Assignments, Tests, and Grading Policies:

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:

| | |
|----------------------|------------------|
| Homework assignments | 60 points |
| <u>Final exam</u> | <u>40 points</u> |
| Total | 100 points |

Blackboard: The entire course is conducted through Blackboard. Students are required to get familiar with the course setup and 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.

Specific schedules and due times of the assignments and the final exam are posted separately on Blackboard (See “**Syllabus/Schedules**” on Blackboard). Students are required to strictly follow the schedules and the due dates for the assignments and the final exam. It is highly recommended

that students plan to complete assignments and the exam ahead of the due time to avoid late hour emergencies and computer/internet breakdowns.

Homework assignments: There will be seven homework assignments corresponding to the respective class sessions. You are required to complete these assignments on Blackboard (see “**Homework Assignments**” folder). No other form of submission is accepted. You may take one or two attempts for each assignment. If two attempts are taken, the score for the assignment will be the average of these two attempts.

Students are required to submit homework assignments on Blackboard by the **designated deadlines**. No late submission or makeup is accepted. Answers to the homework assignments are made available on Blackboard upon the respective deadlines. 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 without affecting your course grade. If you complete all the assignments, the assignment with the lowest score is automatically dropped. 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, homework assignments (and answers), the required text, live-session presentations, and other required readings. The final exam covers the entire course. The exam is open-book. However, there is a time limit for completion and only one attempt is allowed for the exam. **Late submission is subject to a one-time penalty of 25% of the exam grade.** Students are recommended to prepare notes (cheat sheet) for the exam. Such notes may help organize your thoughts, identify weaknesses in your preparation, and strengthen your understanding of the key concepts. Makeup for the exam is not allowed except for health and family emergencies.

Live (Sync) Sessions. There will be collaborative or synchronous sessions for the course (see schedules in the “Live Sessions” folder). Such sessions provide an opportunity for discussions and analyses of current events in the world economy, and for questions and interaction among students and with the professor. Students are required to attend one of these sessions each week for the first five weeks. If you miss a session, make sure you attend another session in the same week or review the recorded session to make it up. **Contents in the live-session presentations are included in the homework assignments and/or the final exam.**

The Q&A/Discussion board. Students are encouraged to post their course content-related questions to this board instead of sending emails to the professor. Answers will be provided on the same board. Questions through emails may be posted and answered on this board as well so that we learn from each other’s questions. Before sending emails for questions, students are recommended to visit this board to see if the same or similar questions have already been raised and answered.

Real World Readings. This Blackboard section provides links to media coverage of course-related real world events and other references. Visit to this section is voluntary. However, you are encouraged to browse these links and relate what we learn in the course to what is going on in the real world. The folders may include references to past events as well as to current events. Contents in this folder are not tested in the homework assignments or exams unless they are included in the required course material.

Academic Integrity and University Policies

Academic Integrity:

The code of academic integrity applies to all courses in the George Washington School of Business. Please become familiar with the code. All students are expected to maintain the highest level of academic integrity throughout the course of the semester. Please note that acts of academic dishonesty during the course will be prosecuted and harsh penalties may be sought for such acts. Students are responsible for knowing what acts constitute academic dishonesty. The code may be found at: <http://www.gwu.edu/~ntegrity/code.html>.

Religious Accommodation:

Students should notify faculty during the first week of the semester of their intention to be absent from class on their day(s) of religious observance.

Faculty should extend to these students the courtesy of absence without penalty on such occasions, including permission to make up examinations. Faculty who intend to observe a religious holiday should arrange at the beginning of the semester to reschedule missed classes or to make other provisions for their course-related activities.

Disability Support Services (DSS) 202-994-8250:

Any student who may need an accommodation based on the potential impact of a disability should contact the Disability Support Services office at 202-994-8250 in the Rome Hall, Suite 102, to establish eligibility and to coordinate reasonable accommodations. For additional information please refer to: <https://disabilitysupport.gwu.edu/>.

Counseling and Psychological Services 202-994-5300:

The University's Mental Health Services offers 24/7 assistance and referral to address students' personal, social, career, and study skills problems. Services for students include: crisis and emergency mental health consultations confidential assessment, counseling services (individual and small group), and referrals. <https://healthcenter.gwu.edu/counseling-and-psychological-services>.

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, 2018:
 - 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, 2018:
 - 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, 2018:
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, 2018:
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, 2018:

Chapter 11: Monopoly

Chapter 12: Pricing and Advertising

Chapter 13: Oligopoly and Monopolistic 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)

Chapter 18: International Trade

Supplementary readings:

Perloff, 2018

Chapter 11: Monopoly

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:

- Debaere, Peter Marcel. 2019. *Why Countries Trade: The Theory of Comparative Advantage*. Darden Case No. UVA-G-0594 (Rev. April 9, 2019). <https://ssrn.com/abstract=1583765>.
- Hufbauer, Gary Clyde and Sean Lowry. 2012. "US Tire Tariffs: Saving Few Jobs at High Cost." *Policy Brief*, No.12-9, Peterson Institute of International Economics, April 2012.
- Mankiw, N. Gregory. 2018. "Why Economists Are Worried About International Trade." *The New York Times*, Feb. 16, 2018. <https://www.nytimes.com/2018/02/16/business/trump-economists-trade-tariffs.html>.
- PBS Frontline. 2004. "Is Wal-Mart Good for America?" November 16, 2004. <http://www.pbs.org/wgbh/pages/frontline/shows/walmart/>.
- Rodrik, Dani. 2018. "What Do Trade Agreements Really Do?" *Journal of Economic Perspectives*, Volume 32, No. 2 (Spring 2018), pages 73-90.

Session 8 Final Examination

Check the "Syllabus/Schedules" folder on Blackboard for the exam schedule.
See the "Review Session" on Blackboard for more information for preparation for the final exam, a sample exam and its answers.