

Microeconomic Analysis

ECON 641
University of Maryland
Fall 2017

Instructor:	Dr. Aaron Finkle
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Classroom:	TYD 2111
Class Time:	Tu 6:30pm - 9:15pm
Office:	TYD 3147B
Office Hours	Tuesday 5:00-6:00 or by appointment
TA:	Heehyun Lim
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TA Office Hours	Morrill 1102D; Monday-Thursday 5:15-6:15

1 Overview

This course covers microeconomic analysis applied to public policy problems with an emphasis on practical examples and how they illustrate microeconomic theories. Policy issues such as pollution, welfare and income distribution, market design, industry regulation, price controls, tax policy, and health insurance are used to illustrate the abstract principles of microeconomics.

Students will master microeconomic theory at a level of mathematical rigor befitting a professional master's program in applied economics. The level of mathematical rigor will be higher than in a typical undergraduate intermediate microeconomics course, but much lower than in the first year of a "top 40" economics PhD program like the University of Maryland's. We will make extensive use of differential calculus. Students will apply microeconomic theory to a broad range of questions relevant to public policy.

1.1 Website

Copies of the course syllabus, your grades, and other relevant links and documents will be posted on the course's ELMS/Canvas website. You can access the site via www.elms.umd.edu. You will need to use your University of Maryland "directory ID" and password.

1.2 Email

Email is the primary means of communication outside the classroom, and I will use it to inform you of important announcements. Students are responsible for updating their current email address via www.testudo.umd.edu/apps/saddr/ AND for paying attention to messages I send to the class via ELMS. Failure to check email, errors in forwarding email, and returned email due to "mailbox full" or "user unknown" will not excuse a student from missing announcements or deadlines. I will do my best to respond to email within 36 hours.

1.3 Work Load

Mastering the material covered in this course requires a significant amount of work outside of class. Students should expect to spend more time outside of class than in class – typically at least twice as much time.

1.4 Prerequisites

Admission to the Master of Professional Studies in Applied Economics program. Note: The program admissions requirements include a grade of at least B in an introductory microeconomics course and a grade of at least B- in an introductory calculus course.

2 Required Text and Supplementary Material

The required text for this course is:

- Hal Varian, *Intermediate Microeconomics with Calculus a Modern Approach*, W.W. Norton, 2014. ISBN: 978-0-393-92394-0

It is important you buy the version that has “**with Calculus**” in the title.

A good (free) supplement for additional sample problems:

- Ted Bergstrom and Hal Varian, *Workouts in Microeconomic Theory* (online)
www.econ.ucsb.edu/~tedb/Courses/GraduateTheoryUCSB/workouts.pdf

Another useful online resource for review of Calculus is Kahn Academy

- Tutorial on Differential Calculus
www.khanacademy.org/math/differential-calculus
- Applications “Skill Check” on Optimization
www.khanacademy.org/math/differential-calculus/derivative-applications

Additionally, presentations during the semester will cover applications from the following textbook:

- Walter Nicholson and Christopher Snyder, *Intermediate Microeconomics and Its Application*. Cengage Learning; 12th edition (1133189024).

I will provide copies of this textbook (referenced below as N&S) in the TA’s office in Morrill 1102D for students to use for presentations.

3 Course Objectives

The program has 7 general learning outcomes for students:

1. Ability to understand, evaluate and analyze economic data
2. Ability to understand and interpret statistical evidence from economic data
3. Ability to apply empirical evidence to assessing economic arguments

4. Ability to apply macroeconomic theories to policy discussions
5. Ability to apply microeconomic theories to policy discussions
6. Ability to communicate economic ideas to a broader audience
7. Ability to evaluate the effectiveness of policy programs using sound economic techniques

The learning outcomes that pertain to ECON 641 are outcomes 5, 6, and 7.

4 Course Grading and Expectations

Your grade will be calculated with the following weighting:

Requirement	% of Grade
1. Final Exam	40%
2. Problem Sets	30%
3. Quizzes	20%
4. Presentations	10%

4.1 Final Exam

The Final Exam will be on the last class day **12/5/2017**. The exam will be designed to take students about 2 hours to complete, but students will have the entirety of the class time to complete the exam. The exam will consist of 3 or 4 problems similar to those on the Problem Sets but with some variations. All material covered during the semester is fair game for the final exam. The final exam is closed book, though students are permitted to use a scientific, non-programable calculator. The final exam will be graded as a percentage.

4.2 Presentations

A supplemental textbook, than 100 concise “Applications” of microeconomic theory. These applications are typically one-page descriptions of how the theory in that section of the book has been applied by economists in a variety of contexts. The Applications presented in the book typically cite one or two academic journal articles upon which the applied work is based. The Applications also typically suggest a couple interesting questions and/or policy challenges to think about. Students are to present the application from the textbook as well as provide additional details on at least one of the cited economics papers.

We will use the textbook Applications as the starting points for student presentations that look a bit further into the issues they raise. There will be 20-25 student presentations over 13 of the class meetings. Each student will give a presentation at some point during the semester. If fewer than 20 students enroll in the course, we will simply have fewer student presentations. This means there will be one or two student presentations scheduled for each class meeting (other than the initial meeting and final).

I will ask that students choose their presentation topic and date after the 1st class. This requires that students look ahead to the textbook Applications that will come throughout the whole semester.

Some of the presentations early in the semester will come the week after the relevant material has been covered in class. Most of the presentations, however, will come on the same day that the relevant material is being covered in class. This means that the student presenters must read ahead and prepare their presentations before sitting through my lecture on the relevant material. This is one example of the difference between graduate and undergraduate education. Our classes are seminars. That means that all members of the group share responsibility for teaching each other. I will bear more responsibility for teaching in ECON 641 than any other member of the seminar. But each of you will also bear some responsibility – especially on the day you present your Application.

Expectations for presenters:

1. The presentation should be done on PowerPoint slides. Presenters should also have a pdf version of the file.
2. The presentation should be designed to last about 10 minutes.
3. The presenter should be prepared to answer questions during the presentation
4. This grade will be based on the clarity and quality of the presentation, the presenter's ability to incorporate in my pre-presentation feedback, and also the presenter's answers to questions posed during the presentation.

4.3 Problem Sets

Students will turn in homework at the beginning of each class (except for the first class on **8/29** and the last class on **12/5**). The homework will always consist of 2 or 3 analytical problems. Problem sets are all weighted equally and assigned a point score out of 10. At the end of the semester, your two lowest scores will be dropped when calculating your problem set average.

Typically, one of the problems will relate to material covered during our previous meeting, while one of the other problems will relate to material to be covered on the day that the homework problem is due. This is intentional. This requires students to study the material on their own prior to my lecture. Undergraduate courses often claim to expect students to read the material before coming to class. Graduate courses expect students to do more than passively read the material before coming to class.

Sometimes it will be the case that a solution for one of the assigned homework problems is readily available online – even before the homework is due. This is also intentional. I'm sure you will learn a lot from studying the solution for a challenging problem. You must still write out your own version of the solution and turn it in. The person who grades the homework will also have access to the online solution. Less than full credit will be given when it is obvious that a student's work was mindlessly copied.

Students are strongly encouraged to work with each other on the homework, but each student must turn in his or her own work individually.

4.4 Quizzes

There will be three in-class quizzes given during the semester (see schedule below). The quiz will be given at the start of the class meeting, and consist of two or three problems similar to problem set questions but with slight changes. All material covered up to that point is fair game for the quizzes. The quiz will be closed book and take 45 minutes. Calculators are permitted, but no notes or other study aids of any kind will be allowed.

Scoring on quizzes will be calculated as your points as a proportion of total points possible. That will then be used to calculate a percentage. Your quiz average is calculated from an equal weighted average of the quiz percentages.

4.5 Attendance and Class Participation

Attendance is not mandatory, but you are responsible for catching up on any material from missed classes. This class moves quickly and it is quite easy to fall behind even from missing a single session. My teaching style relies on the feedback of students. I encourage you to utilize our class time to make clear to me what topics are worthy of particular emphasis and which items can be moved on more quickly. Your alertness and participation in class will earn you a small bump to your final grade.

To ensure an effective learning environment for the whole class, refrain from texting and non-class related computer use (checking email, etc). Please avoid disrupting other students by coming in late or leaving midway in the class. (If you must leave early, let me know in advance and sit near the door.) Laptops for note-taking are okay, but only if you restrict its use to coursework.

Please note that we will have class on November 21st.

4.6 Grading Scale

At the end of the semester I will calculate the weighted average of each graded component of the course outlined above. I will look at the distribution of total course points across students and assign letter grades in a way that respects the ordering of numerical course grades. I will decide where to draw the lines between different letter grades according to my professional judgement.

While individual assignments will not have a letter grade, as the course makes progress, I will convey to the class how grade distributions stand up to any one date and what letter grades might be expected based on that distribution should the class have ended at that time with no commitment to that times numerical-to-letter-grade conversion holding at the end of the class (numerical score distributions may fluctuate substantially, which means that numerical-to-letter-grade conversions will vary as well depending on any one time's numerical score distribution).

5 Other Standard Policies for the Program and the University of Maryland

5.1 Workload

Mastering the material covered in this course requires a significant amount of work outside of class. Students should expect to spend more time outside of class than in class – typically at least twice as much time.

5.2 Academic Integrity

The University of Maryland has a nationally recognized Code of Academic Integrity, administered by the Student Honor Council. This Code sets standards applicable to all undergraduate and graduate students, and you are responsible for upholding these standards as you complete assignments and take exams in this course. Please make yourself aware of the consequences of cheating, fabrication,

facilitation, and plagiarism. For more information see www.studenthonorcouncil.umd.edu.

5.3 Student Conduct

Students are expected to treat each other with respect. Disruptive behavior of any kind will not be tolerated. Students who are unable to show civility to one another or myself will be referred to the Office of Student Conduct. You are expected to adhere to the Code of Student Conduct.

5.4 Excused Absences

The University of Maryland's policy on excused absences is posted here: <http://www.president.umd.edu/administration/policies/v-student-affairs/v-100g>

Please note: If you miss any class meetings for any reason, you are still responsible for all material covered during the meeting you missed. It is your responsibility – not the instructor's – to make sure you catch up on the missed material. Instructors routinely facilitate things by posting lecture notes, etc.

If you need to miss an exam or other graded course requirement because of illness, injury, or some other emergency: Follow doctor's orders and get documentation. Get in touch with the instructor as soon as you're able – preferably prior to missing the exam or deadline. Communicate with the instructor to make up the course requirement as soon as possible. You are entitled to recover before you make up the course requirement, but you are not entitled to extra days to study beyond the time the doctor's note says you're incapacitated. If you are incapacitated for more than a week or so beyond the end of the term, your grade in the course will be an "Incomplete". In such cases you must negotiate a plan with your instructor for completing the course requirements. Once you make up the course requirement the instructor will change your "I" to the appropriate letter grade.

5.5 School Closings and Delays

Information regarding official University closing and delays can be found on the campus website and the snow phone line: (301) 405-SNOW (405-7669) The program director will also announce cancellation information to the program as an announcement on the program's ELMS/Canvas site. This will generally be done by 1:00 p.m. on days when weather or other factors are an issue. If classes need to be cancelled during the semester, it may be necessary to move the final exam back a week so missed classes can be made up.

5.6 Students with Disabilities

The University of Maryland does not discriminate based on differences in age, race, ethnicity, sex, religion, disability, sexual orientation, class, political affiliation, and national origin. Reasonable accommodations will be made to students with documented disabilities. I will make every effort to accommodate students who are registered with the Disability Support Services (DSS) Office and who provide me with a University of Maryland DSS Accommodation form.

5.7 Academic Progress

The graduate school requires that students maintain a GPA of at least 3.0. Students whose cumulative GPA falls below 3.0 will be placed on academic probation by the graduate school. Students on

academic probation must ask the program's director to petition the graduate school if they want to remain in the program. The petition must include a plan for getting the student's GPA up to at least 3.0. Students who do not live up to their plan can be forced to leave the program without having earned the degree. Note: a grade of "B" corresponds to a GPA of 3.0. A grade of "B-" corresponds to a GPA of 2.7.

5.8 Building Access

Access to Morrill Hall and Morrill 1102: Morrill Hall is locked every day from 7:00 p.m. - 7:00 a.m. Your university ID gives you swipe access to the back door of the building.

6 Schedule of Topics

Updates will be made on ELMS as needed.

Week	Date	Section Topics	Readings (Varian)	Notes (Due date)
1	8/29	Introduction, Equilibrium	1, 16	
2	9/5	Budget Sets, Utility and Optimal Choice	2, 3, 4	PS1
3	9/12	Mathematics of Optimization	5, 6, 7	PS2
4	9/19	Slutsky, Labor Supply	8, 9	PS3
5	9/26	Intertemporal Choice, Risk	10 (up to p194), 12, 31, **	PS4, Quiz
6	10/3	Market Demand, Consumer Surplus	14, 15	PS5
7	10/10	Production, Profit Maximization	19, 20	PS6
8	10/17	Cost Minimization	21, 22	PS7, Quiz
9	10/24	Supply, Perfect Competition	23, 24	PS8
10	10/31	Monopoly, Price Discrimination, Monopsony	25, 26 (up to p496), 27 (up to p511),	PS9
11	11/7	Monopolistic Competition, Oligopoly	26 (finish), 27 (pp512-end), 28	PS10
12	11/14	Game Theory	29, 30, **	PS11, Quiz
13	11/21	Externalities and Public Goods	**, 35 (pp672-end), 37	PS12
14	11/28	Asymmetric Information and Moral Hazard	38	PS13
15	12/5	Final Exam		

**Supplementary readings provided online.