



Business

Online MBA, 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 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 slides (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 a major economic and business journal, such as The Wall Street Journal, 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, *Microeconomics*, 6th edition. Addison Wesley, 2012. ISBN-13:978-0-13-139263-2; ISBN-10: 0-13-139263-8. 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 and Shiller, *Phishing for Phools: The Economics of Manipulation and Deception*. Paperback, August 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 due times (It is important that students set up calendars to remind themselves of

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 is accepted. Answers to the homework assignments are made available on Blackboard upon the respective deadlines. No makeup assignments will be allowed. 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.

**The Q&A 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.

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

**Real World Readings.** This folder on Blackboard 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 business 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):**

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: [gwired.gwu.edu/dss/](http://gwired.gwu.edu/dss/).

### **Mental Health 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. [counselingcenter.gwu.edu/](http://counselingcenter.gwu.edu/)

## 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)

Chapter 18: International Trade

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:

The Wall Street Journal, "An American Trade Watershed," May 17, 2015.

The Financial Times, "Shale oil producers blame export ban for low US crude price," March 23, 2015.

Peter Debaere, "Why Countries Trade: The Theory of Comparative Advantage," *Darden Business Publishing*, University of Virginia, UV2702, July 24, 2009. Available through *Harvard Business School case*.

Burton G. Malkiel, "Congress Wants a Trade War," *The Wall Street Journal*, February 5, 2009. <http://online.wsj.com/article/SB123380102867150621.html>.

PBS Frontline, "Is Wal-Mart Good for America?" November 16, 2004.  
<http://www.pbs.org/wgbh/pages/frontline/shows/walmart/>.

The Wall Street Journal, "Powerful Pair: Protectionism and the Presidency," March 9, 2016.  
<http://www.wsj.com/articles/powerful-pair-protectionism-and-the-presidency-1457544702>.

Gary Clyde Hufbauer and Sean Lowry, "US Tire Tariffs: Saving Few Jobs at High Cost," *Policy Brief*, NUMBER PB12-9, Peterson Institute of International Economics, April 2012.

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.