

Fulbright Economics Teaching Program

**Academic year 2015-2016
Fall Term**

MICROECONOMICS FOR PUBLIC POLICY II

Teaching Team

Instructors: Vu Thanh Tu Anh E-mail: anhvt@fets.edu.vn
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Ms. Pham Thi Hong Van is a Fulbright scholar at FETP for 2015-2016 academic year. Ms. Van teaches two topics “Wage and Labour Market” and “ International Trade” in this course.

Class Meetings

Lecture: Monday, Wednesday and Friday, 10:15 – 11:45

Office Hours

	Monday	Tuesday	Wednesday	Thursday	Friday
Vu Thanh Tu Anh		15:30 – 17:00		15:30 – 17:00	
Pham Thi Hong Van	15:30 – 17:00		15:30 – 17:00		15:30 – 17:00
Nguyen Anh Duong		16:00 – 17:30		16:00 – 17:30	

Members of the teaching team are also available at other time by email appointment.

Course Objectives and Description

This is the first academic year that FETP has piloted the course of Microeconomics for Public Policy II (Micro II). It is our assumption during designing this course that students have been equipped with fundamental knowledge of microeconomics in order to apply its concepts, principles and tools to: (i) understanding the nature of economic issues discussed in the media; (ii) applying knowledge of microeconomics to conduct public policy analysis and evaluation; and (iii) applying fundamental knowledge of microeconomics to other courses in the program.

Given such assumption, the course will focus on the expansion of the consumption and production theories as well as advanced topics widely applied in public policy research and analysis. It is expected that by finishing the course students are able to apply its knowledge to in-depth research and analysis of policies and read non-technical research papers on major economic journals, particularly the ones relevant to topics of this course.

So as to achieve those objectives, the course is structured around nine topics as follows:

1. Choices under uncertainty
2. “New” theory about firms

3. Wage and labour market
4. International trade
5. Game theory
6. Information Asymmetry
7. Mechanism design
8. Theories of incentives
9. Micro political economy.

Required and Supplementary Readings

There is no textbook for this course; instead, book chapters, research papers, reports and lecture notes (referred to as **LN**) will be used. Due to copyrights, several readings will not be uploaded on Open Courseware but stored in the Internal Drive (referred to as **ID**) at L:\MPP8 2015-2017\Microeconomics II.

There are three types of reading: *required readings*, noted as [❖] in the syllabus. It is very important for students to complete the assigned readings **prior** to class discussion. During class discussion, teachers can invite any participant to explain a term or state his/her own view on issues discussed in the required readings.

Case studies are also required readings. Specific requirements for each case and the case itself will be distributed to students in advance.

The second is *readings for discussion*. These readings help inspire class discussion. The readings can be some articles (extracts from newspapers and mass media in Vietnam and other countries) or mini cases. Distribution of these readings will be either before or during class depending on their length.

The third type of reading include *in-depth or more advance materials* which are supposed to help students expand their understanding or know thoroughly on some selected policy issues or purely for providing the background of policy discussions. These readings are helpful to those who want to explore issues which are not discussed at length during the lectures due to time limitation. Students are encouraged to consult the teachers for additional references.

Those who wish to review fundamentals of microeconomics can refer to these three books:

1. *Microeconomics*, Fifth edition, by Robert S. Pindyck and Daniel L. Rubinfeld, Prentice-Hall (translated).
2. *Principles of Economics*, Second edition, by N. Gregory Mankiw, South-Western, 2000.
3. *Microeconomic for Public Decisions*, by Anne C. Steinemann, William C. Apgar, and H. James Brown, South-Western Publishers, 2005.

Student requirements

Economics is an analytical and practical subject. Students cannot learn it by simple memorization, nor by cramming at the last minute. Therefore, during the course, *students should try to understand the concepts, principles and tools of microeconomics and develop the ability to apply them to solve many different problems in real life*. This requires students *to read textbook*

and required readings, lecture notes; complete assignments; follow discussions in the media with a critical eye and actively apply knowledge gained from the course to actual cases.

Problem sets

In this course, students will read critical original papers of microeconomic theories. Students are required to write a short reflection on these papers (500 words plus/minus 10%) for self learning and class discussion. This reflection will be graded afterwards.

There is also an **individual problem set** for each topic of the course to help students review and apply basic concepts and analysis tools to practical issues. Students must complete these problem sets **by themselves** and submit their solutions before 8:20 AM on the due date. Students are **not allowed to copy** the answers to the problem sets from other students. Students should carefully review the *Student's Handbook* to avoid unnecessary violations.

Apart from individual problem set, students will join a group assignment to present to class. Each group will be supervised by a lecturer. The group case study and presentation must be sent to the whole class and the teaching teams at least 48 hours ahead of class. The

Sometimes, students will be required to do quick quizzes which usually last from 5 to 10 minutes at the beginning of the class. The purpose of the quiz is to examine their reading and understanding on lessons.

Grading:

The final grade will be based on the following weights:

- Class participation: 5%
- Short reflections: 5%
- Individual problem sets: 15%
- Group assignment: 10%
- Quizzes: 5%
- Mid-term exam: 30%
- Final exam: 30%

TEACHING SCHEDULE

Week 1

05-10. Lesson 1: Review 1

- Summary of microeconomic principles [ID]

07-10. Lesson 2: Review 2

- Summary of microeconomic principles [ID]

Week 2

12-10. Lesson 3: *Choice under Uncertainty 1*

- ❖ Choice under Uncertainty [LN]
- Erik Angner (2012). *A Course in Behavioral Economics*. Chapter 4: Probability Judgment.
- Erik Angner (2012). *A Course in Behavioral Economics*. Chapter 5: Judgment Under Risk and Uncertainty.

14-10. Lesson 4: *Choice under Uncertainty 2*

- ❖ Choice under Uncertainty [LN]
- Erik Angner (2012). *A Course in Behavioral Economics*. Chapter 6: Rational Choice Under Risk and Uncertainty.
- Erik Angner (2012). *A Course in Behavioral Economics*. Chapter 7: Decision-Making Under Risk and Uncertainty.

16-10. Lesson 5: *Choice under Uncertainty 3*

- ❖ Raquel Fernandez and Dani Rodrik (1991). Resistance to Reform: Status Quo Bias in the Presence of Individual- Specific Uncertainty. *The American Economic Review*, Vol. 81, No. 5 (Dec., 1991), pp. 1146-1155.)

Week 3

19-10. Lesson 6: *Choice under Uncertainty 4*

- ❖ Case study /Review.

21-10. Lesson 7: *Introduction to New Theories on Firms 1*

- ❖ Ronald Coase (1937). The Nature of the Firm,"*Economica*, New Series, Vol. 4, No. 16. (Nov., 1937), pp. 386-405.)

23-10. Lesson 8: *Introduction to New Theories on Firms 2*

- ❖ Edward Rock and Michael Wachter (2001). Developments in the Theory of the Firm: Modern Approaches, in Edward Rock and Michael Wachter (2001). Islands of Conscious Power: Law, Norms and the Self Governing Corporation. Accessed [http://scholarship.law.upenn.edu/cgi/viewcontent.cgi?article=3321&context=penn_law_r
eview](http://scholarship.law.upenn.edu/cgi/viewcontent.cgi?article=3321&context=penn_law_review)

Week 4

26-10. Lesson 9: *Wage and Labour Market 1*

- ❖ Ronald Ehrenberg and Robert Smith (2012). *Modern Labor Economics: Theory and Public Policy*. Chapter 2: Overview of the Labor Market.
- ❖ Ronald Ehrenberg and Robert Smith (2012). *Modern Labor Economics: Theory and Public Policy*. Chapter 3: The Demand for Labor.

28-10. Lesson 10: *Wage and Labour Market 2*

- ❖ Ronald Ehrenberg and Robert Smith (2012). *Modern Labor Economics: Theory and Public Policy*. Chapter 6: Supply of Labor to the Economy: The Decision to Work.
- ❖ Ronald Ehrenberg and Robert Smith (2012). *Modern Labor Economics: Theory and Public Policy*. Chapter 9: Investments in Human Capital: Education and Training.

30-10. Lesson 11: *Wage and Labour Market 3*

- ❖ Ronald Ehrenberg and Robert Smith (2012). *Modern Labor Economics: Theory and Public Policy*. Chapter 14: Unemployment.
- ❖ Ronald Ehrenberg and Robert Smith (2012). *Modern Labor Economics: Theory and Public Policy*. Chapter 15: Inequality in Earnings.

Week 5

02-11. Lesson 12: *Wage and Labour Market 4*

- ❖ Presentation of student group assignment: Minimal Wage Policy

04-11. Lesson 13: *Wage and Labour Market 5*

- ❖ Thảo luận tình huống/ôn tập.

06-11. Lesson 14: *International Trade 1*

- ❖ Krugman, Obstfeld, and Melitz (2012). *International Economics: Theory and Practice*. Chapter 2: World Trade: An Overview.

Week 6

09-11. Lesson 15: *International Trade 2*

- ❖ Krugman, Obstfeld, and Melitz (2012). *International Economics: Theory and Practice*. Chapter 3: Labor Productivity and Comparative Advantage: The Ricardian Model.
- ❖ Krugman, Obstfeld, and Melitz (2012). *International Economics: Theory and Practice*. Chapter 9: The Instruments of Trade Policy.

11-11. Lesson 16: *International Trade 3*

- ❖ Krugman, Obstfeld, and Melitz (2012). *International Economics: Theory and Practice*. Chapter 9: The Instruments of Trade Policy.

13-11. Lesson 17: *International Trade 4*

- ❖ Krugman, Obstfeld, and Melitz (2012). *International Economics: Theory and Practice*. Chapter 10: The Political Economy of Trade Policy.
- ❖ Krugman, Obstfeld, and Melitz (2012). *International Economics: Theory and Practice*. Chapter 11: Trade Policy in Developing Countries.

Week 7

16-11. Lesson 18: *International Trade 5*

- ❖ Presentation of student group assignment: *TPP Agreement*

18-11. Lesson 19: *International Trade 6*

- ❖ Case study/Review

20-11. Lesson 20: *Mid-term Review*

Week 8. Mid-term Exam on 25/11/2015

Week 9

30-11. Lesson 21: *Game Theory 1*

- ❖ Game theory and its application in microeconomics, Part 1: Static games of complete information [LN]

02-12. Lesson 22: *Game Theory 2*

- ❖ Game theory and its application in microeconomics, Part 2: Dynamic games of complete information [LN]

04-12. Lesson 23: *Game Theory 3*

- ❖ Abhinay Muthoo (1999). *Bargaining Theory with Applications*. Chương 2: Giải pháp thương lượng Nash (The Nash Bargaining Solution).

Week 10

07-12. Lesson 24: *Game Theory 4*

- ❖ Signaling in labour market
- Michael Spence (2001). Signaling in Retrospect and the Information Structure of Markets. *Nobel Prize Lecture*, December 8, 2001.

09-12. Lesson 25: *Game Theory 5*

- “Tragedy of the commons”
- “Crimes and punishment”

11-12. Lesson 26: *Game Theory 6*

- ❖ Case study/Review

Week 11

14-12. Lesson 27: *Information Asymmetry 1*

- ❖ George A. Akerlof (1970). The Market for “Lemons”: Quality Uncertainty and the Market Mechanism. *The Quarterly Journal of Economics*, Vol. 84, No. 3. (Aug., 1970), pp. 488-500.

16-12. Lesson 28: *Information Asymmetry 2*

- ❖ Michael Rothschild and Joseph Stiglitz (1976). Equilibrium in Competitive Insurance Markets: An Essay on the Economics of Imperfect Information. *The Quarterly Journal of Economics*, Vol. 90, No. 4 (Nov., 1976), pp. 629-649.
- Joseph E. Stiglitz (2001). Information and the Change in the Paradigm in Economics. *Nobel Prize Lecture*, December 8, 2001.

18-12. Lesson 29: *Information Asymmetry 3*

- ❖ Case study/Review

Week 12

21-12. Lesson 30: *Mechanism Design 1*

- ❖ Alvin Roth (2015). *Who Gets What – and Why: The New Economics of Matchmaking and Market Design*, Chapter 1: Introduction – Every Market Tells a Story.
- ❖ Tracy Tullis (2014). *How Game Theory Helped New York City’s High School Application Process*. [http://www.nytimes.com/2014/12/07/nyregion/how-game-theory-helped-improve-new-york-city-high-school-application-process.html?_r=1]

23-12. Lesson 31: *Mechanism Design 2*

- ❖ David Gale and Lloyd Shapley (1962). College Admissions and the Stability of Marriage, *The American Mathematical Monthly*, Vol. 69, No. 1 (Jan., 1962), pp. 9-15.

- Lloyd Shapley (2012). Allocation Games – the Deferred Acceptance Algorithm. *Nobel Prize Lecture*, December 8, 2012.
- ❖ Alvin Roth (2008). What Have We Learned from Market Design? *The Economic Journal*, 118 (March), 285–310.
- Alvin Roth (2012). The Theory and Practice of Market Design. *Nobel Prize Lecture*, December 8, 2012.

Week 13

28-12. Lesson 32: *Mechanism Design 3*

- ❖ Case study/Review

30-12. Lesson 33: *Theories of Incentives 1*

- ❖ Bernard Salanie (2005). *The Economics of Contracts: A Primer*. Chapter 1. Introduction.
- ❖ Bernard Salanie (2005). *The Economics of Contracts: A Primer*. Chapter 2. Adverse Selection: General Theory.
- Jean-Jacques Laffont and David Martimort (2002). *The Theory of Incentives: The Principal – Agent Model*. Chapter 1. Incentives in Economic Thought.

Tuần 14

04-01. Lesson 34: *Theories of Incentives 2*

- ❖ Bernard Salanie (2005). *The Economics of Contracts: A Primer*. Chapter 5. Moral Hazard.

06-01. Lesson 35: *Theories of Incentives 3*

- ❖ Case study/Review

08-01. Lesson 36: *Micro Political Economy 1*

- ❖ Robert H. Bates (1981). *Markets and States in Tropical Africa*. Introduction.
- ❖ Robert H. Bates (1981). *Markets and States in Tropical Africa*. Part 1: Government Interventions in Major Markets.

Tuần 15

11-01. Lesson 37: *Micro Political Economy 2*

- ❖ Daron Acemoglu và James Robinson (2013). *Why Nations Fail?* Chapter 1.
- ❖ Daron Acemoglu và James Robinson (2013). *Why Nations Fail?* Chapter 2.
- ❖ Daron Acemoglu và James Robinson (2013). *Why Nations Fail?* Chapter 3.

13-01. Lesson 38: *Micro Political Economy* 3

- ❖ Dani Rodrik (2008). Second-Best Institutions. *NBER Working Paper 14050*.
<http://www.nber.org/papers/w14050>
- ❖ Andrew Mertha (2009). “Fragmented Authoritarianism 2.0”: Political Pluralization in the Chinese Policy Process. *The China Quarterly*, Vol. 200 (Dec. 2009), pp 995 – 1012.

15-01. Lesson 39: *Course Review*

Week 15: Final Exam on 18/01/2016
