

GRAD-C7: Introduction to Economics

Ciril Bosch-Rosa

1. General Information

Class Time	Group A: Monday 18-20h Group B: Tuesday 10-12h
Course Format	The Economics I lecture will be taught online, in real time, via the platform Clickmeeting. The online lecture will also be recorded for later viewing. Small participatory labs will accompany the lecture and will be taught onsite at the Hertie School, or online via the platform Clickmeeting, depending upon your location. For those attending online labs, Clickmeeting allows for interactive, participatory style teaching. Both the live online lecture and the online labs will cater for different time zones. Online office hours will be available.
Instructor	Prof. Ciril Bosch-Rosa
Office	
E-Mail	ciril.bosch-rosa@tu-berlin.de
Assistant	Name: Denny Hofbauer Email: Hofbauer@hertie-school.org Phone: +49 30 259 219 127 Room: 3.45
Office Hours	By appointment. Please email to organize any meeting.

Link to Module Handbook [MIA](#) and [MPP](#)Link to [Study, Examination and Admission Rules](#)Instructor Information:

Ciril Bosch-Rosa is a research member at the Chair of Macroeconomics at the Technical University of Berlin. He uses experimental techniques to study the behavior of traders in financial markets. Recently, he has been using survey data to study questions such as lying behavior and the consequences of overconfidence. For a while he was based in Madrid as an assistant professor of business and management at the Colegio Universitario de Estudios Financieros. He studied economics receiving a PhD from the University of California Santa Cruz, a MS from Universitat Pompeu Fabra, and a BA from Universitat Autònoma de Barcelona.

2. Course Contents and Learning ObjectivesCourse contents:

The course offers an introduction to some of the key concepts used by economists with a focus on micro-economic analysis. The main topics covered include consumer and producer behavior, competitive markets, but also market failure and the need for government intervention. We will also go over some advanced topics such as game theory, and how information and uncertainty complicate

the optimal functioning of markets. The goal of the course is for students to learn how economists think and it is built around three components. First, theory and ideas that economists use to structure their thinking. Second, policy applications and debates where the theory will be applied and put to test. Third, evidence from empirical studies to highlight principles of applied research design.

Main learning objectives:

By the end of the course, the student should be able to:

- Have acquired a thorough understanding of professional economists' way of thinking
- Overview of key topics and concepts in economics with a focus on microeconomic topics
- The capacity of assessing current public policy debates (e.g. subsidies in agriculture, carbon taxes, minimum wage, etc.) in light of economic theory
- Careful and critical consumers of economic news

Target group:

All 1st year MPP and MIA students.

Teaching style:

The teaching will be organized around two pillars.

Main lectures: here you learn about the theory, the intuitions behind the formal model and how these concepts connect to specific policy questions. I expect students (attending the class online or watching the stream) to actively participate during lectures, make questions, and answer them. I also expect you to do the required readings before the lecture. This is crucial to enhance your learning experience.

Labs: conducted by the TA's, during labs you will discuss applications and exercises. Class size is capped to 15 students to improve your learning and you are required to do the exercises before them. In certain classes the TA will review the problem sets that were assigned so everybody can progress in their learning.

Finally, there are also office hours and the online Moodle forum. You are encouraged to use the office hours both with myself and with the TA's. In addition, you could paste questions on the online forum. I would discourage you to send questions by email as do not allow other students to learn from them.

Prerequisites:

There are no prerequisites for this course, but you are encouraged to read a couple of books to become more familiar and interested in the topics that we will cover and how economists think. The first book addresses various topics and questions on economics

- **Naked Economics** by Charles Wheelan
- **The Economy** from the CORE Team which can be accessed [here](#)

Diversity Statement:

This class will try to cover topics beyond the usual curricula in introductory economics. We will do so by having a session dedicated exclusively to the problems of gender and racial discrimination. We also will try to provide the widest range possible of examples while covering all other topics. You are encouraged to send any ideas or topics that you think should be included in the class.

3. Grading and Assignments

Participation in lectures and lab sessions is mandatory. More specifically, students are required to do the compulsory readings before the lectures and actively participate in discussions. You should prepare the exercises before the Lab sessions.

Grading will be based on the following components. The aim of having multiple problem sets in addition to the traditional mid-term and final exams is to make sure you will not fall behind throughout the course.

1. Three group problem sets. Each will count for 10% of the final grade
2. Mid-term exam. This will count for 30% of the final grade
3. Final exam. This will count for 40% of the final

grade Composition of Final Grade:

Assignment	Deadline	Weight
Assignment 1: Group Problem set	September 28 @ 10h CET	10%
Assignment 2: Mid-term exam	Mid-Term Week – tbc	30%
Assignment 3: Group Problem set	November 9 @ 18h	10%
Assignment 4: Group Problem set	November 23 @ 18h	10%
Assignment 5: Final exam	Final Exams Week – tbc	40%

Description of the assignments

Assignment	Description of topics covered
Assignment 1: Problem set	Focused on lectures and labs for weeks 1-3
Assignment 2: Mid-term exam	Focused on lectures and labs for weeks 1-6
Assignment 3: Problem set	Focused on lectures and labs for weeks 7-8
Assignment 4: Problem set	Focused on lectures and labs for weeks 9-10
Assignment 5: Final exam	Focused on all lectures and labs but special emphasis on weeks 7-11

Late submission of assignments: For each day the assignment is turned in late, the grade will be reduced by 10% (e.g. submission two days after the deadline would result in 20% grade deduction).

Attendance: Students are expected to be present and prepared for every class session. Active participation during lectures and seminar discussions is essential. If unavoidable circumstances arise which prevent attendance or preparation, the instructor should be advised by email with as much advance notice as possible. Please note that students cannot miss more than two out of 12 course sessions. For further information please consult the [Examination Rules](#) §10.

Academic Integrity: The Hertie School is committed to the standards of good academic and ethical conduct. Any violation of these standards shall be subject to disciplinary action. Plagiarism, deceitful actions as well as free-riding in group work are not tolerated. See [Examination Rules](#) §16.

Compensation for Disadvantages: If a student furnishes evidence that he or she is not able to take an examination as required in whole or in part due to disability or permanent illness, the Examination Committee may upon written request approve learning accommodation(s). In this respect, the submission of adequate certificates may be required. See [Examination Rules](#) §14.

Extenuating circumstances: An extension can be granted due to extenuating circumstances (i.e., for reasons like illness, personal loss or hardship, or caring duties). In such cases, please contact the course instructors and the Examination Office *in advance* of the deadline.

4. General Readings

The course will rely heavily on the slides. However, we will also have a book which we will follow closely. The book is *Microeconomics*, by Dean Karlan and Jonathan Morduch (201. McGraw-Hill Education. (We will refer to this as KM below)

The material from the textbook will be covered during the classes and you should read it (even just quickly) in advance as preparing before the lectures will greatly help you to better follow the lectures.

Additionally, we will also use for certain classes material from the online book "The Economy" from the CORE Team which can be accessed here – we will refer to it as ECON-CORE, and from its companion online book "Economy, Society and Public Policy" which can be accessed [here](#) – we will refer to it as PP-CORE

Finally, there will be readings mainly from The Economist, New York Times, Financial Times and blogs on which the discussion will be based. These readings will cover specific cases and policy discussions. Only those that are not marked as optional are required readings to actively participate to the discussions.

Additional resources (non-required readings)

In addition to the essential course literature, the following literature may be consulted as a general introduction to the course and further reading.

- For those interested in game theory a great introduction for non-economist with no maths pre-requirement is "Thinking Strategically" by Avinash Dixit and Barry Nalebuff.

Two great source of discussions around the topics that we will cover are the following podcasts

1. Freakonomics
2. NPR's Planet money

Slides to each session will be uploaded to the Moodle site. Additional readings may be uploaded during the semester.

5. Session Overview

Session	Session Date	Session Title
1	07/08.09.2020	Welcome, introduction and key concepts
2	14/15.09.2020	Supply, Demand and Markets
3	21/22.09.2020	Elasticity and Efficiency
4	28/29.09.2020	Government Intervention and Moral Hazard
5	05/06.10.2020	Externalities and Common Goods
6	12/13.10.2020	International Trade
Mid-term Exam Week: 19.10 - 23.10.2020 – no class		
7	26/27.10.2020	Consumer Utility, Social Preferences, and Risk Aversion
8	02/03.11.2020	Production and Perfect Competition
9	09/10.11.2020	Imperfect competition: Monopoly and Monopsony
10	16/17.11.2020	Game Theory
11	23/24.11.2020	Political Choice and Political Economy
12	30.11/01.12.2020	Discrimination, Gender, and Race
Final Exam Week: 14.12 - 18.12.2020 – no class		

6. Course Sessions and Readings

Session 1: Welcome, introduction and key concepts	
Learning Objective	Key economic concepts: opportunity cost and scarcity
Required Readings	Chapter 1 KM
Optional Readings	BBC News – Margarine Linked to Divorce Telegraph – Covid 19 deaths related to baldness Malthus economics (ECON-CORE) – Sections 2.6, 2.7, 2.8

Session 2: Supply, Demand, and Markets	
Learning Objective	Key concepts: supply, demand, equilibrium
Required Readings	Chapter 3 KM Article from WSJ "Uber's Pricing Formula Has Allowed Economists to Map Out a Real Demand Curve" Article from The Economist "Pricing the Surge" Article from The Economist "To do with the price of fish"
Optional Readings	Listen to the Freakonomics Radio Episode "Why Uber is an Economist's Dream"

	<p>Cohen, Hahn, Hall, Levitt and Metcalfe. Using Big Data to Estimate Consumer Surplus: The Case of Uber. NBER Working Paper 22627 [Optional]</p> <p>Robert Jensen (2007). The Digital Divide: Information (Technology), Market Performance, and Welfare in the South Indian Fisheries Sector, Quarterly Journal of Economics, issue 3, August. [Optional]</p>
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Session 3: Elasticity and Efficiency

Learning Objective	Key concepts: supply elasticity, demand elasticity, efficiency
Required Readings	<p>Chapter 4 and 5 – KM</p> <p>Article from The Economist – “Malaria and how to beat it – elasticity, and free distribution of anti-malaria bednets”</p> <p>Article from The Economist – “Control Freaks”</p> <p>Read this article on taxes on cigarette from CNN (this you will need for the discussion in the lab)</p>
Optional Readings	Jessica Cohen and Pascaline Dupas (2008). Free Distribution or Cost- Sharing? Evidence from a Malaria Prevention Experiment, NBER Working Paper 14406, October [Optional]

Session 4: Government Intervention and Moral Hazard

Learning Objective	Key concepts: minimum wage, price cap, private information, reputation
Required Readings	<p>Chapter 6 and 10 KM</p> <p>Reading from PP-CORE: “3.9 How do we find out if a policy will work? The case of taxes on unhealthy food”</p> <p>Listen the NPR Podcast from Planet Money on Minimum wage</p> <p>Read the NYT article “The business of the minimum wage” by Christina D. Romer</p>
Optional Readings	<p>Article from The Economist – “Economists argue about minimum wages”</p> <p>Article from The Economist – “A £10 minimum wage is not the best way to help low earners”</p> <p>Article from Huffington Post – “Increasing the Minimum Wage Can Actually Create Jobs — If It’s Enforced”</p> <p>Article from The New York Times – “The Minimum Wage: How Much Is Too Much?”</p> <p>Article from Wharton University of Pennsylvania – “Minimum Wage: Not a Simple Supply and Demand Curve”</p>

Session 5: Externalities and Common Goods

Learning Objective	Key concepts: externality, tax, public good, common good
Required Readings	<p>Chapter 18 and 19 KM</p> <p>Article from The Times “The Clean Energy Scam (March 2008)</p> <p>Article from NYT “How Much Is a View Worth in Manhattan? Try \$11 Million”</p>

	Article from The Economist on rhino: Horns, Claws and the Bottom Line (Sept 2 2010)
Optional Readings	<p>Chapter 11 PP-CORE</p> <p>Chapter 12 ECON-CORE</p> <p>Chapter 20 ECON-CORE</p> <p>Blog on NYT in Nov 2008 "Biofuel Debate: Good, Bad or Too Soon to Tell" [optional]</p> <p>Article from The Economist on Economics Nobel Prize to Williamson and Ostrom for research on public goods "The Bigger Picture" [optional]</p>

Session 6: International Trade

Learning Objective	Key concepts: comparative and absolute advantage, trade and income distribution
Required Readings	<p>Chapter 2, 17 KM</p> <p>Chapter 1.8 from ECON-CORE</p> <p>Autor, David. "International Trade and U.S. Worker Welfare: Understanding the Costs and Benefits." <i>Washington Center for Equitable Growth</i>, October 31, 2016.</p>
Optional Readings	<p>Podcast with David Autor</p> <p>Autor, David, David Dorn, and Gordon H. Hanson. "The China Syndrome: Local Labor Market Effects of Import Competition in the United States." <i>American Economic Review</i> 103, no. 6 (2013): 2121–68</p>

Mid-term Exam Week: 19 – 23.10.2020 – no class

Session 7: Consumer Utility, Social Preferences, and Risk Aversion

Learning Objective	Key concepts: utility function, preferences, risk aversion, fairness
Required Readings	<p>Chapter 7 and 8 KM</p> <p>Kahneman, D., Knetsch, J.L. and Thaler, R.H., 1991. Anomalies: The endowment effect, loss aversion, and status quo bias. <i>Journal of Economic perspectives</i>, 5(1), pp.193-206.</p>
Optional Readings	<p>Fehr, E. and Fischbacher, U., 2002. Why social preferences matter—the impact of non-selfish motives on competition, cooperation and incentives. <i>The economic journal</i>, 112(478), pp.C1-C33.</p> <p>Levitt, S.D. and List, J.A., 2007. What do laboratory experiments measuring social preferences reveal about the real world?. <i>Journal of Economic perspectives</i>, 21(2), pp.153-174.</p>

Session 8: Production and Perfect Competition

Learning Objective	Key concepts: marginal cost, average cost, competition
Required Readings	<p>Chapter 12, 13 KM</p> <p>Read the Harvard Business Review Article by Bloom, Sadun and Van Reenen "Does Management Really Work?"</p>

Optional Readings	Watch this brief clip from the TV show Seinfeld. This scene highlights both fixed and opportunity costs
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Session 9: Imperfect competition: monopoly and monopsony

Learning Objective	Key concepts: monopoly, oligopoly, price discrimination
Required Readings	Chapter 14 and 15 KM Listen the NPR Podcast from Planet Money on Stadium Economics, monopoly power and how the Atlanta's Falcons challenged it Read the FTC case against Whole Foods also summarized in this NYT article in order to highlight potential welfare losses of monopoly and potential public policy responses. This case is particularly interesting as the FTC viewed Whole Foods as dominating a relatively narrow market. Not everyone agrees with the policy response and you can find an argument that it was unjustified here .
Optional Readings	To learn more about the current debate about anti-trust and the history of anti-trust policy listen to these 3 podcast here at NPR Planet Money

Session 10: Game Theory

Learning Objective	Key concepts: Nash equilibrium, repeated games, strategy
Required Readings	Chapter 9 KM Read this article from The Economist https://www.economist.com/economics-brief/2016/08/20/prison-breakthrough Chapter 2 from PP-CORE
Optional Readings	Listen to the podcast "Nice Game" – Episode 844 from Planet Money

Session 11: Political Choice and Political Economy

Learning Objective	Key concepts: median voter theorem, voting systems, corruption
Required Readings	Chapter 22 KM Chapter 22 ECON-CORE (TBC specific parts) Read the NYT Article by Dubner and Levitt "Why Vote" Read this blog on why farmers in rich countries are subsidized vs in poor ones are taxed Read the Economist's article on measuring corruption
Optional Readings	Chapter 22 ECON-CORE Watch this brief video for an additional explanation of the median voter theorem Watch this brief video about why the NRA (National Rifle Association) is so powerful for an application of a basic political economy model in practice.

	For those interested in the full article of Ben Olken on measuring corruption in Indonesia you can find it here . Benjamin A. Olken, 2007. "Monitoring Corruption: Evidence from a Field Experiment in Indonesia," Journal of Political Economy, University of Chicago Press, vol. 115, pages 200-249.
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Session 12: Gender, Race, and Discrimination	
Learning Objective	Key concepts: discrimination
Required Readings	<p>Olivetti, C. and Petrongolo, B., 2017. The economic consequences of family policies: lessons from a century of legislation in high-income countries. Journal of Economic Perspectives, 31(1), pp.205-30.</p> <p>Work, care and gender during the Covid-19 Crisis. CEP Covid-19 analysis Paper No.002</p> <p>Bertrand, M. and Mullainathan, S., 2004. Are Emily and Greg more employable than Lakisha and Jamal? A field experiment on labor market discrimination. American economic review, 94(4), pp.991-1013.</p>
Optional Readings	<p>Basically, any paper by Raj Chetty on inequality and intergenerational mobility. For example this one or this one.</p> <p>Pierson, E., Simoiu, C., Overgoor, J., Corbett-Davies, S., Jenson, D., Shoemaker, A., Ramachandran, V., Barghouty, P., Phillips, C., Shroff, R. and Goel, S., 2020. A large-scale analysis of racial disparities in police stops across the United States. Nature human behaviour, pp.1-10.</p> <p>Alesina, A., Giuliano, P. and Nunn, N., 2013. On the origins of gender roles: Women and the plough. The Quarterly Journal of Economics, 128(2).</p> <p>Ayres, I. and Siegelman, P., 1995. Race and gender discrimination in bargaining for a new car. The American Economic Review, pp.304-321.</p>

Final Exam Week: 14 - 18.12.2020 – no class