

ECON 101  
Principles of Applied Microeconomics  
Ross Summer Connection 2022

Instructor  
Elird Haxhiu  
[haxhiu@umich.edu](mailto:haxhiu@umich.edu)

|                            |  |
|----------------------------|--|
| Lectures                   | MON, WEDS @ 9am, THURS @ 12pm – Ross 2240      |
| Office hours               | MON, WED @ 4pm – Lorch Hall M101               |
| Office hours (appointment) | any reasonable day/time scheduled via email :) |

### Course Description

This class is an introduction to economics, through the lens of two continuing trends: the credibility revolution in empirical methods, and the revival of fields, topics, and research questions once dismissed as “not economics.” We will learn traditional mathematical tools from economics to study modern research questions, with an emphasis on empirical rigor. To be more specific, consider the course title:

- Principles: there is a set of tools that every economist uses, formally in research and in discussions with the public. Examples include the fundamental problem of causal inference, the idea of opportunity cost, or the implications of a well-defined general equilibrium. I will teach you some of the most important skills, and how you can use them to do good<sup>1</sup> in the world!
- Applied: the goal of the class is to combine critical thinking with economic tools to explain and deliberate solutions to real problems in our society. This is the sense in which the class is applied since we do not develop the tools or discuss their theoretical properties, but instead use them.
- Microeconomics: the topics we study involve the analysis of individual decision making in the presence of material and institutional constraints. Macroeconomics considers the aggregate implications of individual decisions, and we will also introduce some macro concepts as needed.

As we learn them, we will apply these skills to understand modern research in migration, the gender gap in earnings, and the racial gap in wealth. While I could have chosen readings in more traditional topics like rent control, international trade, or firm investment, these seem to have received disproportionate attention from economists and students of economics in the past. Although the topics we study are quite diverse, they share a common theme: preventing people from engaging in economic activity when they otherwise could and would always results in (i) gaps between the prevented and the free, (ii) lower total production for *both* the prevented and the free, and (iii) obvious solutions that involve perturbing the social order and distribution of wealth in society (i.e. stop preventing, and instead enable economic activity).

### Principles

- |   |   |
|---|---|
| 1. Marginal analysis                      | 5. Consumer welfare theorems                              |
| 2. Markets for goods and labor            | 6. Dynamic consumption and saving theory                  |
| 3. Causal inference w/ observational data | 7. Discrimination: taste-based, statistical, and systemic |
| 4. Decomposing gaps in outcomes           |   |

---

<sup>1</sup> See IPUMS’s public statement on [using their data for good, and never for evil](#). The same applies to knowledge.

## Assessment

Two homework assignments and one final exam will determine your grade. They exist to get (and keep) you thinking about the tools and the issues and include both short problems and essay questions. I expect that you will do them carefully and use each problem as an opportunity to explore these topics in greater depth. Your grade is determined according to the following scale:

|            |     |
|------------|-----|
| Homework 1 | 40% |
| Homework 2 | 40% |
| Final Exam | 20% |

There will be no curve... unless I decide at the end that there should be, in which case there will be a curve! I will only do this if it is Pareto improving<sup>2</sup> though, so not to worry.

## Expectations

You can expect me to be prepared with material and practice problems during class, answer all questions to the best of my ability or look into questions that I am unsure about and get back to you, and foster a respectful and collaborative environment in class. I will also do my best to be available to you as we progress; the best way to reach me is my email [haxhiu@umich.edu](mailto:haxhiu@umich.edu) which I check much more than I should!

In turn, I expect you to be prepared by completing relevant readings and/or homework, ask questions when you are unsure about something, and be respectful in all of your interactions in class. I would also ask that you do your best to show up every day with undivided attention to give. We will study scarcity and your attention is a scarce resource that I urge you to allocate wisely this summer, and every day after.

## Accommodations

Reasonable accommodations will be made for students holding an appropriate Verified Individualized Student Accommodation (VISA) form, issued by the Services for Students with Disabilities office. To take advantage of available accommodations, students must register with Services for Students with Disabilities at 734-763-3000 or <https://ssd.umich.edu>. Please submit completed forms before relevant due dates!

## Mental Health

We are committed to your mental health and wellbeing. If you or someone you know is feeling overwhelmed, depressed, or in need of support, services are available. A good place to start is Counseling and Psychological Services (CAPS) at Michigan, which is available during and after hours, on weekends and holidays, or through its counselors physically located on campus. You can reach CAPS at 734-764-8312 or <https://caps.umich.edu>. You can also consult University Health Service (UHS) at 734-764-8320 for health concerns, including testing for sexually transmitted disease and help with alcohol and other substances.

---

<sup>2</sup> You will know exactly what this means after we study the two major welfare theorems in economics! For now, it basically means that at least someone is better off, and no one is worse off under a proposed policy change.

## Readings

### Migration

- NPR podcast (2020). The Indicator: Story of a Paper.
- Clemens (2011). Economics and Emigration: Trillion-Dollar Bills on the Sidewalk?
- Khanna, Murathanoglu, Theoharides, and Yang (2022). Abundance from Abroad: Migrant Income and Long-Run Economic Development.
- Theoharides (2018). Manila to Malaysia, Quezon to Qatar: International Migration and its Effects on Origin-Country Human Capital.
- Kerr & Kerr (2011). Economic Impacts of Immigration: A Survey.
- Peri (2016). Immigrants, Productivity, and Labor Markets.

### Gender Wage Gap

- Netflix documentary (2019). Explained: Why Women are Paid Less.
- Blau & Kahn (2000). Gender Differences in Pay.
- Blau & Kahn (2017). The Gender Wage Gap: Extent, Trends, and Explanations.
- Cortes & Pan (2017). When Time Binds: Substitutes for Household Production, Returns to Working Long Hours, and the Skilled Gender Wage Gap.
- Olivetti & Petrongolo (2017). The Economic Consequences of Family Policies: Lessons from a Century of Legislation in High-Income Countries.
- Cullen & Perez-Truglia (2021). The Old Boys' Club: Schmoozing and the Gender Gap.
- Michelman et al. (2021). Old Boys' Clubs & Upward Mobility Among the Educational Elite.
- Cook et al. (2021). Gender Earnings Gap in Gig Economy: Evidence from a Million Rideshare Drivers.

### Racial Wealth Gap

- Netflix documentary (2019). Explained: The Racial Wealth Gap.
- Small & Pager (2020). Sociological Perspectives on Racial Discrimination.
- Lang & Spitzer (2020). Race Discrimination: An Economic Perspective.
- Cook (2014). Violence and Economic Activity: Evidence from African American Patents.
- Logan & Parman (2015). The National Rise in Residential Segregation.
- Logan (2019). Whitelashing: Black Politicians, Taxes, and Violence.
- Koch, Logan, & Parman (2021). Black Veterans and Voting.
- Toney and Robertson (2021). Racial Wealth Gap and Intergenerational Mobility.
- Derenoncourt et al. (2021). The racial wealth gap, 1860-2020.
- Fouka et al. (2021). From Immigrants to Americans: Race & Assimilation during the Great Migration.

## Schedule

|  | MON  | WEDS   | THURS  |
|--|--|--|--|
| <b>Migration</b><br><br>Week 1         |  | LEC 1: Marginal analysis and markets<br><br>HW 0 assigned and due<br><br>HW 1 assigned<br><br>OH                               | LEC 2: Markets and migration<br><br>READ: Clemens (2011)         |
| <b>Gender Wage Gap</b><br><br>Week 2   | LEC 3: Causal inference, and Clemens (2011)<br><br>READ: Blau & Kahn (2000)<br><br>EC 1 assigned<br><br>OH | LEC 4: Gender wage gap, decomposition analysis<br><br>HW 2 assigned<br><br>READ: Cortes & Pan (2017)<br><br>OH<br><br>HW 1 due | LEC 5: Welfare theorems, and Cortes & Pan (2017)<br><br>EC 1 due |
| <b>Racial Wealth Gap</b><br><br>Week 3 | LEC 6: Racial wealth gap, and discrimination theory<br><br>READ: Cook (2014)<br><br>OH<br><br>HW2 due      | LEC 7: Cook (2014)<br><br>EXAM assigned<br><br>OH  | EXAM due   |

LEC my awesome, totally sold out, entertaining lectures  
 OH office hours to talk about anything you like!  
 READ mandatory reading for the week  
 HW, EXAM some of your (tangible) output from the class, and input for your grade  
 EC extra credit assignments