

MACQUARIE  
UNIVERSITY



FACULTY OF  
BUSINESS AND ECONOMICS

# ECON200 Microeconomic Analysis

Semester 1, 2009

*Department of Economics*

## **ECON200 Microeconomic Analysis**

**Year and Semester:**2009, Semester 1

**Unit convenor:** Glenn Jones

**Prerequisites:** [(ECON110 and ECON111) or (admission to BBA and BBA103)] and [HSC Mathematics performance band 2 or extension 1 or extension 2, or 3cp from MATH123-MATH136]

**Corequisites:** None

**You should read this unit outline carefully at the start of semester. It contains important information about the unit. If anything in it is unclear, please consult one of the teaching staff in the unit.**

### **ABOUT THIS UNIT**

ECON200 Microeconomic Analysis is an intermediate-level unit in theoretical and applied microeconomics. It builds on the foundations laid in the 100-level economics units, and may in turn be seen as providing the insights and tools necessary for the study of more specialised areas in economics, accounting, finance and marketing at the 200- and 300-level. The unit places strong emphasis on developing analytical and theoretical skills as a means of encouraging rigorous and logical thinking about real-world economic questions.

Throughout this unit, a framework is developed from the standpoint of individual decision-makers that allows the economic behaviour of consumers, producers, markets and society as a whole to be analysed. Topics covered include consumer choice and the theory of demand; consumer welfare measurement; labour supply; inter-temporal consumption; choice under uncertainty; theory of the firm; production and cost theory; profit maximisation; perfect competition; monopoly; oligopoly; game theory and auctions; general equilibrium.

### **TEACHING STAFF**

**Convenor:**

Glenn Jones, Room: E4A429  
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Consultation hours:

**Tutorial Staff:**

Edwin Franks, Room: E4A429  
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Consultation hours:

Clarification of specific points in lectures should be directed to Glenn Jones at the end of the lecture or in his consultation hours. In addition, your own tutor can assist you with more extensive questions regarding unit content. You will be notified of the consultation times for the lecturers and tutors by week 3. If you cannot contact your tutor or lecturer in person you should email them. All enquiries concerning the administration of the unit (including tutorial arrangements) should be addressed to Glenn Jones by email.

## CLASSES

- This unit provides 3 hours face-to-face teaching per week consisting of 1 x 2 hour lecture and 1 x 1 hour tutorial
- The timetable for lectures and tutorials can be found on the University web site at: <http://www.timetables.mq.edu.au/>

There are two streams of lectures each week at the following times and places:

### Day Lectures

Tuesday	10.00 - 12.00	E7B Mason
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### Evening Lectures

Tuesday	18.00 - 20.00	E7BT3
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Day and evening lectures are given in parallel and students may attend either stream on a permanent or casual basis without informing the lecturer. Please note that if a lecture room is overfull, the lecturer may ask unseated students to leave. This is a requirement of University health and safety regulations. Lectures will be recorded using iLecture.

Please consult the Course Diary below for precise details of the currently scheduled lecture dates for the whole unit. During the semester, unforeseen circumstances may require the cancellation of some lectures and/or tutorials. Any changes will be announced as far as possible in advance both in lectures and on the unit website.

## REQUIRED AND RECOMMENDED TEXTS

### Recommended Text:

Perloff, JM, (2008), Microeconomics, Theory and Applications with Calculus (1st Ed),  
Pearson/Addison Wesley

The text is available for purchase at Co-op Bookshop. A small number are available on reserve in the library.

### Unit materials:

Mason, C and Stone, L, 2008, Study Guide to accompany, Microeconomics, Theory and Applications with Calculus (1st Ed) by Perloff, JM., Pearson/Addison Wesley

Available for purchase at Co-op Bookshop bundled with the Perloff text.

### **Supplementary General Texts**

You may find it useful to see how the same material is treated in other intermediate microeconomic texts. The following is a list of supplementary textbooks that have previously been used in this unit. In particular students will find similarities to the treatment in Varian which was used in this unit in 2008. The topic of inter-temporal consumption, which is the foundation of finance markets, is not covered adequately in Perloff. The treatment in the lectures will be close to that in Varian and students will find reference to that section helpful.

### **Intermediate**

Varian, H.R., (2006) *Intermediate Microeconomics: A Modern Approach*, (7<sup>th</sup> Ed), New York: Norton.  
Eaton, B.C., Eaton, D.F. and Allen, D.W., (2005) *Microeconomics*, (6<sup>th</sup> Ed) Toronto Canada: Pearson Prentice-Hall.

Frank, R.H., (2006) *Microeconomics and Behaviour*, (6<sup>th</sup> Ed) Boston: McGraw-Hill.

Katz, M.L. and Rosen, H.S., (1994) *Microeconomics*, (2<sup>nd</sup> Ed) Boston: Irwin.

Mansfield, E. and Yohe, G., (2004), *Microeconomics*, (11<sup>th</sup> Ed), New York: Norton.

Schotter, A., (2003) *Microeconomics: A Modern Approach*, (3<sup>rd</sup> Ed) New Jersey: Prentice Hall.

### **Mathematical detail**

Chiang, A.C., (1984) *Fundamental Methods of Mathematical Economics*, (3<sup>rd</sup> Ed), New York: McGraw-Hill.

## **UNIT WEB PAGE**

Lecture and tutorial material as well as up to date information concerning any aspect of the unit, including any changes to the schedule, will be available to students by logging on to Blackboard at <http://learn.mq.edu.au>.

## **LEARNING OBJECTIVES AND OUTCOMES**

At the completion of this unit you will be familiar with the approach and methods of theoretical and applied microeconomics. You will have developed the insights and tools necessary for the study of more specialised areas in economics such as finance, actuarial studies, labour economics, industrial organisation and public economics.

You will be familiar with the generic process of microeconomic analysis focussing on the aims of individual decision-makers, (consumers and producers); how these objectives are constrained by the opportunities available to agents (budget constraints or market structures) and be able to evaluate alternative economic outcomes in terms of their normatively defined welfare economic properties (efficiency and equity). Detailed topics to which you will be able to apply this method include consumer choice and the theory of demand; consumer welfare measurement; labour supply; inter-temporal consumption; choice under uncertainty; theory of the firm; production and cost theory; profit maximisation; perfect competition; monopoly; oligopoly; game theory and auctions; general equilibrium.

In addition to the discipline-based learning objectives, all academic programs at Macquarie seek to develop students' generic skills in a range of areas. This unit will contribute to the development of skills in:

- Literacy, numeracy
- Self-awareness and interpersonal skills
- Critical analysis skills
- Problem-solving skills
- Creative thinking skills

## ASSESSMENT

The components of assessment in this course are as follows:

	%
Mid Semester Test 1	20
Mid Semester Test 2	20
Final exam: multiple choice	20
Final exam: essays/problems	40
Total	100

The two multiple choice mid-semester tests will be held on Tuesday March 24 and May 5. The tests will be held during the first hour of the lecture period, with a lecture to follow. The material covered in the two mid-semester tests will be

Mid Semester Test 1 March 24      Lectures 1 - 7

Mid Semester Test 2 May 5      Lectures 8 - 15

Failure to attend any of the assessment components without the submission of an Application for Special Consideration on the grounds of illness or unavoidable mishap together with the required supporting documentation will result in a mark of zero for the assessment.

If you wish to advise of your absence from mid-semester tests for reason of illness or unavoidable mishap you must fill out an Application for Special Consideration. The forms are available from the Student Enquiry Service or online at <http://www.reg.mq.edu.au/Forms/APSCon.pdf>. The completed form with appropriate supporting documentation must be submitted to the Student Enquiry Service, not to the Faculty of Business and Economics.

For absence related to illness you will need to include an EFS Professional Authority Advice Form. Students granted Special Consideration for a missed mid semester test will not be allowed to sit the test at a different time. The value of the final exam will be increased on a pro rata basis. Granting of Special Consideration for the final exam will permit students to sit for a supplementary examination.

More detail on the policy and required documentation can be found at [http://www.mq.edu.au/policy/docs/s/procedure\\_specialconsideration.htm](http://www.mq.edu.au/policy/docs/s/procedure_specialconsideration.htm)

A 3 hour final examination for this unit will be held during the University Examination period. The examination will contain a multiple choice section with an indicative time requirement of 1 hour and short answer question section with an indicative time of 2 hours. Marks awarded for these sections will be in proportion to the indicative times.

The University Examination period in First Semester 2009 is from 10/06/2009 to 26/06/2009.

You are expected to present yourself for examination at the time and place designated in the University Examination Timetable. The timetable will be available in Draft form approximately eight weeks before the commencement of the examinations and in Final form approximately four weeks before the commencement of the examinations.

<http://www.timetables.mq.edu.au/exam>

The only exception to not sitting an examination at the designated time is because of documented illness or unavoidable disruption. In these circumstances you may wish to consider applying for Special Consideration. Information about unavoidable disruption and the special consideration process is available at The policy and required documentation can be found at [http://www.mq.edu.au/policy/docs/s/procedure\\_specialconsideration.htm](http://www.mq.edu.au/policy/docs/s/procedure_specialconsideration.htm)

If a Supplementary Examination is granted as a result of the Special Consideration process the examination will be scheduled after the conclusion of the official examination period

You are advised that it is Macquarie University policy not to set early examinations for individuals or groups of students. All students are expected to ensure that they are available until the end of the teaching semester, the final day of the official examination period.

## PLAGIARISM

The University defines plagiarism in its rules: "Plagiarism involves using the work of another person and presenting it as one's own." Plagiarism is a serious breach of the University's rules and carries significant penalties. You must read the University's practices and procedures on plagiarism. These can be found in the *Handbook of Undergraduate Studies* or on the web at:

<http://www.student.mq.edu.au/plagiarism/>

The policies and procedures explain what plagiarism is, how to avoid it, the procedures that will be taken in cases of suspected plagiarism, and the penalties if you are found guilty. Penalties may include a deduction of marks, failure in the unit, and/or referral to the University Discipline Committee.

## DETERMINATION OF OVERALL GRADE

A further requirement is that **students must pass the final exam** in order to pass the course.

The Academic Senate has a set of guidelines on the distribution of grades across a range from fail to high distinction. Your final result will include one of these grades plus a standardised numerical grade (SNG). On occasion, the raw mark that you receive for the unit may not be the same as the SNG that you receive. Under the senate guidelines, results may be scaled to ensure that there is a degree of comparability across the university and that units with the same past performances of their students should achieve similar results.

## STUDENT SUPPORT SERVICES

Macquarie University provides a range of Academic Student Support Services. Details of these services can be accessed at <http://www.student.mq.edu.au>.

**ECON200 UNIT DIARY 2009**

<b>Week</b>	<b>Lecture Date</b>	<b>Lecture Number</b>	<b>Tutorial Number</b>	<b>Perloff Chapter</b>	<b>Lecture Topic</b>	<b>Tutorial Topic</b>
1	Feb 24	1, 2		3,4	Introduction, preferences, utility and budget constraints	No tutorial
2	March 3	3, 4		4	Optimal choice and demand functions	No tutorial
3	March 10	5, 6	1	5	Consumer welfare, labour supply	Preferences, utility and optimal choice and demand functions
4	March 17	7, 8	2	6	Inter-temporal choice, production functions	Consumer welfare, labour supply
5	March 24	<b>TEST 1, 9</b>		7	Cost functions	No tutorial
6	March 31	10, 11	3	8, 9	Perfect competition	Test 1 Feedback
7	April 7	12,13	4	10	General equilibrium	Production functions, cost functions and perfect competition
<b>MID SEMESTER BREAK</b>						
8	April 28	14, 15	5	17	Externalities	General equilibrium
9	May 5	<b>TEST 2 ,16</b>		11	Imperfect competition	No tutorial
10	May 12	17, 18	6	13,	Imperfect competition	Test 2 Feedback
11	May 19	19, 20	7	14	Game theory	Imperfect competition
12	May 26	21, 22	8	16	Uncertainty	Game theory
13	June 2	23, 24	9	18,19	Asymmetric information contracts and moral hazard	Uncertainty

## ECON200 TUTORIAL PROGRAM

The Tutorial Program in ECON200 has three main aims:

- to explain and extend some of the material covered in lectures
- to focus attention on a problem solving approach to the analysis of microeconomic questions
- to encourage discussion of economic issues.

Tutorials are an important complement to the attendance at lectures and private study. They provide a further means of understanding the course material, and provide useful feedback on your own progress and allow you to learn from the experience of others. As evidence from past performance suggests that there is a high correlation between poor overall performance and poor tutorial attendance.

There are nine tutorials in total, and the tutorial program begins in week three of the semester. Two tutorials will be devoted to giving detailed feedback on your performance and that of the class as whole in each of the two mid semester tests. While it may not be possible to return your marks for these tests before the tutorial, a copy of the test questions and answers will be available on the website prior to the tutorial.

The material in the remaining seven tutorials is drawn from end-of-chapter questions and problems from Perloff. There may not be enough time for tutors to address all of the questions in tutorials. If you wish an explanation to a particular question you should bring this to the attention of your tutor at the start of the tutorial. He or she will try to assess where most attention is required for the class as a whole. Remember tutorials are a dialogue, not a lecture. Student participation is extremely important in the learning process.

This material discussed in tutorials is intended to spark detailed questions but it represents only a part of the feedback on your understanding of the material covered in ECON200. The Study Guide provides answers to all the types of questions that it contains and the various end of chapter questions and problem in the text also have answers provided. In addition there is extensive detailed discussion of some questions provided at [www.aw-bc.com/perloff](http://www.aw-bc.com/perloff). As a result you have no shortage immediate feedback on your understanding of the topics. If you require further assistance with this material you should not hesitate to discuss it with you tutor or lecturer.

### **TUTORIAL 1 Week beginning March 9**

#### **Perloff Chapter 3**

Questions 1, 6, 7, 11

Problems 23, 24, 32

#### **Perloff Chapter 4**

Questions 9, 15, 17

Problems 22, 23

### **TUTORIAL 2 Week beginning March 16**

#### **Perloff Chapter 5**

Questions 4, 16, 20

Problems 32, 33, 35

#### **Perloff Chapter 6**

Questions 8, 16

Problems 23, 26, 31

**TUTORIAL 3 Week beginning March 30**

**Feedback on test 1**

**TUTORIAL 4 Week beginning April 6**

**Perloff Chapter 7**

Questions 6, 8, 9, 11  
Problems 21, 25, 30

**Perloff Chapter 8**

Questions 5, 11, 24  
Problems 32, 34

**Perloff Chapter 9**

Questions 6, 15, 28  
Problems 31, 32, 35, 36

**TUTORIAL 5 Week beginning April 27**

**Perloff Chapter 10**

Questions 10, 12, 13, 14, 16, 18  
Problems 19, 20, 23, 24, 25

**TUTORIAL 6 Week beginning May 11**

**Feedback on test 2**

**TUTORIAL 7 Week beginning May 18**

**Perloff Chapter 11**

Questions 1, 2, 12  
Problems 23, 35, 38, 39

**Perloff Chapter 13**

Questions 1, 6, 14, 17  
Problems 18, 19, 20, 27

**TUTORIAL 8 Week beginning May 25**

**Perloff Chapter 14**

Questions 1, 3, 5, 7, 15, 19  
Problems 24, 26, 27

**TUTORIAL 9 Week beginning June 1**

**Perloff Chapter 16**

Questions 1, 3, 6, 7, 9, 10  
Problems 14, 15, 23, 26 27