

MACQUARIE
UNIVERSITY



FACULTY OF
BUSINESS AND ECONOMICS

ECON215 Applied Microeconomics

Semester 1, 2010

Unit Outline

Department of Economics

**ECON215
APPLIED MICROECONOMICS**

**MACQUARIE UNIVERSITY
FACULTY OF BUSINESS AND ECONOMICS
UNIT OUTLINE**

First Semester - 2010

Unit convenor: Dr Andrea Chareunsy

Prerequisites: BBA103 or ECON111

Students in this unit 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 the unit convenor.

ABOUT THIS UNIT

Credit points: 3

Welcome to ECON215, Applied Microeconomics. This unit introduces students to how individuals, businesses and governments can use the analytical tools of microeconomics to analyse and resolve contemporary real world issues. It covers topics on supply and demand, consumer theory, competition and markets, market power and strategies, and externalities and limited information. The aim of the course is not to be mathematically rigorous or theoretically comprehensive – it includes microeconomic concepts already learnt in ECON111 or BBA103. Instead, the unit extends your knowledge by focusing on application of some microeconomic theories to interesting and familiar cases, such as the Harry Potter phenomenon, child care subsidies, saving endangered species and the environment, Christmas gift giving, the abortion market, the HD DVD and Blu-ray race and the Emissions Trading Scheme.

TEACHING STAFF

Lecturer-in-Charge	Location/phone	Email
Dr Andrea Chareunsy	E4A409, 98509283	achareun@efs.mq.edu.au

UNIT WEB PAGE

The unit uses a Blackboard web page that can be accessed via www.learn.mq.edu.au. This unit web page will contain all relevant information about the course:

- ☞ weekly lecture slides
- ☞ weekly tutorial handouts
- ☞ assessment information and marks
- ☞ announcements and important notices
- ☞ peer to peer discussion forum
- ☞ any supplementary material

It is YOUR responsibility to check this web page regularly. ALL important information will be communicated to you via this web site.

If you have any problems accessing this web page you should go the Online Teaching Facility support web page at <http://online.mq.edu.au/docs/tecinf.html>.

CONSULTATION TIMES

Students will be notified of staff consultation hours during the first tutorial. The consultation timetable will also be made available on the unit's website. **Students experiencing significant difficulties with any topic in the unit are strongly encouraged to seek assistance immediately.**

CLASSES

Lectures

There is one two-hour lecture per week that you must attend. The lectures are on Thursday, 1-3pm in W5A T2. There are 6 lecture topics that will be delivered in 13 weeks of lectures (see schedule below).

Lecture	Topics*	Case Studies	Chapters
1	The Supply and Demand Model	<i>Mad cow</i> <i>Price control kills</i> <i>Substitution may save endangered species</i> <i>Oil drilling in the Arctic</i>	2 and 3
2	Consumer Theory	<i>Should youths be allowed to drink</i> <i>How you ask the question matters</i> <i>Going up in smoke</i> <i>Child care subsidies</i>	4 and 5
3	Competition and Markets	<i>Oil, oil sands and oil shale shutdowns</i> <i>Enter the dragon: art for the masses</i> <i>Abortion market</i> <i>Deadweight loss of Christmas presents</i>	8 and 9
4	Market Power and Strategies: 1. Monopoly 2. Pricing & Advertising 3. Oligopoly 4. Game theory	<i>Apple's iPod</i> <i>Preventing resale of designer bags</i> <i>Amazon is watching you</i> <i>Harry Potter</i> <i>Magazine subscriptions</i> <i>Catwalk cartel</i> <i>Bottled water</i> <i>Welfare gain from more toilet paper</i> <i>HD DVD versus Blu-ray</i>	11, 12, 13 and 14
5	Externalities, Open-Access and Public Goods	<i>Pulp and paper mill pollution</i> <i>US Cap-and-Trade programs</i> <i>Free riding on water</i> <i>Emissions Trading Scheme (ETS)</i>	18
6	Asymmetric Information	<i>Risky hobbies</i> <i>Adverse selection on eBay</i> <i>Twin brands</i>	19

* A detailed lecture program will accompany lecture slides.

Lecture slides will be made available on the unit's web site prior to the lecture. You will find it useful to download and bring the slides to the lecture.

Tutorials

There is a one-hour tutorial each week, beginning in week 2, which you must also attend. Tutorials constitute a critical learning experience of this unit and group work is an essential part of this learning. You are required to attempt the exercises with your group before the tutorial and a group will be nominated to present the solutions to the class and start off the weekly discussion.

In ECON215, we emphasise peer-to-peer learning by working as a group through the exercises and learning from others (fellow students and the tutor). Presenting and explaining concepts to other students will allow you to not only absorb and learn but develop the ability to translate what you have learnt to others, which will reinforce learning. Together, it will help you fully understand the material in the course.

Your tutor's role is to help you by explaining, clarifying and summarising key points in the tutorial. Your tutor should be your first point of contact if you encounter any difficulties with the course material. Ask your tutor questions for further guidance on how to approach questions and/or difficulties.

Tutorial exercises will be available via the unit's web site. The timetable for classes can be found on the university web site at www.timetables.mq.edu.au.

LEARNING OBJECTIVES AND OUTCOMES

After successfully completing this unit, you will be familiar with many of the microeconomic tools that individuals, policy makers and firms can use to analyse and resolve problems. You will be able to analyse real world situations using economic theory.

In addition to the discipline-based learning objectives, all academic programs at Macquarie seek to develop students' generic skills in a range of areas. One of the aims of this unit is that students develop their:

- ☞ Skills of literacy, numeracy and information technology,
- ☞ Effective communication skills,
- ☞ Critical analysis skills,
- ☞ Problem-solving skills,
- ☞ Engaged and ethical local and global citizens,
- ☞ Capable of professional and personal judgement and initiative, and
- ☞ Creative thinking skills.

REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS

The textbook in ECON215 for 2010:

Jeffrey M. Perloff, *Microeconomics*, Pearson Addison-Wesley, 5th Edition, 2009.

The Co-op bookstore has this book and it is recommended that students purchase a copy. A copy of this book has been placed in the reserve section of the library. **MyEconlab**, an online assessment and tutorial system comes with the text which would be helpful as a learning tool. Information on accessing this material will be provided on the unit's webpage.

Additional References

Your recommended textbook will be more than adequate for this unit. Listed below are a series of other texts on microeconomics that you should feel free to consult if you wish. You may choose to consult these books if you feel that a slightly different presentation of the material might aid your understanding. These books have been placed in the reserve section of the library.

Theory and Applications:

Frank R. H., *Microeconomics and Behavior*, McGraw-Hill/Irwin, New York, 5th Edition, 2003.

Australia-Specific Applications:

Hubbard, G., Garnett, A., Lewis, P. and O'Brien, T., *Microeconomics*, Pearson Education, Australia, 2009.

Note however that the bulk of your study time, outside of the classroom, should be devoted to studying your textbook, revising lecture notes and preparing in advance for tutorials.

ASSESSMENT AND ITS RELATION TO LEARNING OUTCOMES

Assessment will be based on the following FOUR activities. Students must satisfactorily complete ALL four assessments to be eligible to pass this unit.

Assessment 1: Tutorial Group Presentation (10%)

Tutorials will be organised into groups of 4-5 students. You are required to work through the tutorial exercises with your group throughout the semester. Each group will make a formal presentation at a nominated tutorial session and start off the discussion. Students will receive individual marks (out of 10) for their material preparation, presentation, and discussion participation. The format will be explained to you in your first tutorial in week 2.

The emphasis in these tutorials will be your ability to work effectively in a group environment, understand and explain the essential elements of each topic and participate in group discussions. Your consistent participation in group work and discussion is essential.

Assessment 2: Within Semester MULTIPLE CHOICE EXAM held in WEEK 6 (20%)

The exam will be held in class. The exam will be held in week 6 during the first hour of the normal lecture time. To do the exam you simply go to your normal lecture during week 6. The exam will go for approximately 40 minutes and will contain 20 multiple choice questions. The questions will test your knowledge of economic concepts covered in lectures and tutorials as well as your ability to use those concepts to solve economic problems. The exam will be worth 20% of your total marks in the unit.

Assessment 3: Within Semester ASSIGNMENT due in WEEK 10 (20%)

Each student must submit their assignment by 7pm on Monday, 10 May, 2010. The emphasis in the assignment will be on using economic theory and reasoning to analyse real world issues. The questions in the assignment will be similar to those dealt with in the tutorials. This assignment will be worth 20% of your final mark in this unit.

A separate document with detailed instructions about the assignment will be made available on Blackboard by the end of week 6 of the semester.

Assessment 4: FINAL EXAMINATION (50%)

End of unit two hour written examination, to be taken during the end of semester examination period. The examination will cover material drawn from all parts of the unit's subject matter. The exam will consist of a set of multiple choice questions and written essay type questions. The final exam will give you the opportunity to demonstrate your knowledge of economic concepts, the economic way of thinking and to use this knowledge to analyse contemporary issues.

EXAMINATIONS – GENERAL INFORMATION

The University Examination period for **semester 2, 2010 is 7/6/10 to 25/6/10.**

You are expected to present yourself for examination at the time and place designated in the University Examination Timetable. The timetable will be available at <http://www.timetables.mq.edu.au/exam> in

draft form approximately eight weeks before and in final form approximately four weeks before the commencement of the examinations.

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 this is given at <http://www.reg.mq.edu.au/Forms/APSCon.pdf>. 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, that is, the final day of the official examination period.

PLAGIARISM – IMPORTANT NOTES

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.

UNIVERSITY POLICY ON GRADING

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

It is important that you realise that the policy does not require that a minimum number of students are to be failed in any unit. In fact it does something like the opposite, in requiring examiners to explain their actions if more than 20% of students fail in a unit. The process of scaling does not change the order of marks among students. A student who receives a higher raw mark than another will also receive a higher final scaled mark. For an explanation of the policy see <http://www.mq.edu.au/senate/MQUonly/Issues/Guidelines2003.doc> or <http://www.mq.edu.au/senate/MQUonly/Issues/detailedguidelines.doc>.

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>. For students taking units in the Faculty of Business and Economics, the Business and Economics Students Services (BESS) is in E4B106. BESS contains a large amount of resources to help you. The web page for BESS is <http://businessandeconomics.mq.edu.au/current/undergraduate/bess>