



Unit code: 203
Unit Name: Microeconomic Analysis

Semester 1, Year 2011

Department of Economics

MACQUARIE UNIVERSITY
FACULTY OF BUSINESS AND ECONOMICS
UNIT OUTLINE: ECON203 MICROECONOMIC ANALYSIS

Unit Convenor: Dr Pundarik Mukhopadhaya

Prerequisites/Co-requisites: ECON110 and ECON111, or admission to BBA and BBA103

Credit points: 3

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

ECON203 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 consumer welfare measurement; demand for goods and labour supply; choice in the presence of risk; theory of the firm; production and cost theory; profit maximisation; perfect competition; monopoly; oligopoly; game theory; general equilibrium; and asymmetric information.

Aims

The aims of this unit are to

1. Develop an analytical understanding of the economic behaviours of consumers, producers and the market.
2. Provide a rationale and economic analysis of the optimizing behaviour.

Prior Knowledge

- First year Micro and Macro economics
- Logical thinking and analytical skills

TEACHING STAFF AND CONSULTATION TIMES

| Name | Contact information | Consultation time during teaching weeks | |
|--|--|---|--|
| Dr. Pundarik Mukhopadhaya | Room : E4A-413 Telephone : 9850-6476 Email : pundarik.mukhopadhaya@mq.edu.au | Wednesdays 12-2 PM | Unit convenor and Lecturer (Tuesdays: Morning and Evening) |
| Mr Prashan Karunaratne | Room : E4A-449 Telephone : 9850-6069 Email :prashan.karunaratne@mq.edu.au | TBA | Lecturer (Thursdays) |
| Dr. Ha Vu | Room : E4A-424 Telephone : 9850-7444 Email : ha.vu@mq.edu.au | | Tutor and Teaching Assistant |
| All tutors' names will be supplied on the Blackboard | | | |

Consultations: Please restrict consultations to the announced times whenever possible. Students need to contact staff requesting an appointment for all other times.

You are encouraged to seek help at a time that is convenient to you from a staff member teaching on this unit during their regular consultation hours. In special circumstances, an appointment may be made outside regular consultation hours. Staff will not conduct any consultations by email. You may, however, phone staff during their consultation hours.

Students experiencing significant difficulties with any topic in the unit must seek assistance immediately.

Email: To maintain students' privacy and confidentiality, students **should only use their Macquarie University email address** to correspond with staff. Emails emanating from other sources may not be responded to. It is essential that you check your university email on a regular basis as this is our primary means to contacting individual students.

CLASSES

- This unit provides 3 hours face-to-face teaching per week. It consists of two hour lectures and one hour tutorials. **(There are no tutorials in the first week of semester and in Week 7 due to the mid-semester test)**
- The timetable for lectures and tutorials can be found on the University web site at: <http://www.timetables.mq.edu.au/>

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

Day Lectures

| | | |
|----------|---------------|-----------|
| Tuesday | 10.00 - 12.00 | E7B Mason |
| Thursday | 15.00 - 17.00 | E7B T2 |

Evening Lecture

| | | |
|---------|---------------|-----------|
| Tuesday | 18.00 - 20.00 | W5A Price |
|---------|---------------|-----------|

Three lectures are given in parallel and students are advised to attend the lecture they have enrolled in. As per university safety Policy every student must have a seat. The lecture will not run with students standing or sitting on the floor. If a lecture room is overfull, the lecturer may ask unseated students to leave. This is a requirement of University health and safety regulations. Lecture slides will be available on the unit web page at <http://learn.mq.edu.au>. Downloadable i-discussion of the lecture slide is available with the prescribed text

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 on the unit website.

Lectures will start punctually. Students should arrive on time. Students may ask questions at the END of the lecture. However, it is disruptive and discourteous to arrive late or talk during lectures.

Attendance at lectures and tutorials will not be enforced, but is strongly recommended. Students who miss classes put themselves at a considerable disadvantage for several reasons, including:

1. Not all material in the text is covered in the unit, and not all the unit material is covered in the reference text. In some places the text deals with issues in greater depth than is necessary for the unit, and in other places it does not go far enough. The lectures contain all the unit material taught at the level that is required for successful completion of eleven tutorial exercises, and they are your guide to the content of the unit.
2. In some of the tutorials you will learn the techniques to solve quantitative problems, while lectures may not deal with these techniques, however, deals mainly with the underlying theory.
3. The approaches to some problems that are recommended by the lecturer are different to those in the text.
4. The lectures will include significant guidance about the style and content of the final exam and recommendation about the study techniques.

5. It is difficult and often impossible for lecturer to provide meaningful assistance to students outside class times on topics for which they did not attend the relevant lectures and tutorials.

Class attendance is only one part of university study. In addition to class attendance, students will need to spend around seven hours per week in private study in order to perform well in this unit.

REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS

Recommended Text

Nechyba, T.J., (2011) *Microeconomics: An Intuitive Approach with Calculus*, (1st Ed), South-Western.

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

Supplementary General Texts

You may find other intermediate microeconomic texts useful:

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

Varian, HR., (2006) *Intermediate Microeconomics: A Modern Approach*, (7th Ed), New York: Norton.

Eaton, BC., Eaton, DF. and Allen, DW, (2005) *Microeconomics*, (6th Ed) Toronto Canada: Pearson Prentice-Hall.

Frank, RH., (2006) *Microeconomics and Behaviour*, (6th Ed) Boston: McGraw-Hill.

Katz, ML. and Rosen, HS., (1994) *Microeconomics*, (2nd Ed) Boston: Irwin.

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

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

Mathematical detail

Chiang, AC., (1984) *Fundamental Methods of Mathematical Economics*, (3rd Ed), New York: McGraw-Hill.

Henderson, J. M and E. Quandt (1980): *Microeconomic Theory: A Mathematical Approach*. McGrawHill

TECHNOLOGY USED AND REQUIRED

- MS Office, Blackboard

UNIT WEB PAGE

The unit 'Blackboard' website can be entered via <http://learn.mq.edu.au>. To access the website, students will require their user name and password. You will find most, if not all, of the information about the course at this site.

LEARNING OBJECTIVES AND OUTCOMES

Objectives

At the completion of this unit you will:

1. Have a solid understanding of theoretical microeconomic theory with mathematical applications;
2. Be familiar with how microeconomic theory aids decision-making by individuals, business and government;
3. Be able to develop analytical skills relevant to the assessment of different theories and models of microeconomics.
4. Be able to develop the insights and tools necessary for the study of more specialised areas in economics such as finance, actuarial studies, labour economics, health economics, industrial organisation and public economics.
5. Be able to apply the knowledge and skills acquired to the study of the main forces sustaining limiting market economy, and the design of effective policy interventions.
6. 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.
7. Be able to use microeconomic principles to solve complicated problems, and apply the major theories and modules of microeconomics.
8. Be able to recognise how economic theory can explain observed human behaviour.

In addition to the discipline-based learning objectives, all academic programs at Macquarie seek to develop the capabilities the University's graduates will need to develop to address the challenges, and to be effective, engaged participants in their world.

Generic Graduate Attributes

This unit adds to the generic attributes of graduates in the following ways:

1. Identify problems and analyze the main features
2. Relate theory to policy
3. Ability to relate the knowledge learnt in Economics to the wider issues
4. Apply appropriate problem-solving processes, arguments, critical and effective thinking to current issues
5. Capable of Professional and Personal Judgement and Initiative
6. Commitment to Continuous Learning

LEARNING AND TEACHING STRATEGY

This unit is taught as a mix of lectures and tutorials. The lectures are designed to provide the tools which can then be applied in tutorials. The tutorials comprise numerical problems and analytical questions and are detailed below in this document. There should be the opportunity to explore issues raised in lectures and to ask questions. The tutorials aim to improve understanding of microeconomic theory and policy.

Lectures – large group learning (2 hour each teaching week)

Lectures are intended to provide overviews of the conceptual framework and economic data that are critical to the core themes of the unit. Students are expected to read the relevant chapters before each lecture.

Independent learning – learning by doing (about 6 hours each teaching week and 9 hours each week during the 2-week mid-semester recess).

ECON203 relies heavily on independent learning where students read the relevant chapter, revise the lecture notes, prepare answers to the pre-set tutorial questions and extend themselves by doing additional reading, questions, exercises, problems.

Tutorials – small group learning (1 hour each teaching week **beginning in Week 2**)

Tutorials constitute a critical learning experience of this unit and students should attend them. The tutor will facilitate a highly student-centred discussion of answers to pre-set tutorial questions. A tutorial is also an active forum to present to the tutor difficulties you encountered when preparing for the pre-set tutorial questions. Ask your tutor questions and further guidance on how to approach questions. Students are expected attempt the tutorial questions before each tutorial.

Calendar (Tentative)

| Week | Monday | Lecture Number | Nechyba Chapter | Lecture Topic | Tutorial Topic |
|------|-----------------------|--------------------------|-----------------|--|---|
| 1 | Feb 21 | 1 | 1,2 | Introduction, budget constraints | No tutorials week one |
| 2 | Feb 28 | 2 | 3,4 | More on budget constraints, indifference curves | 1. Brushing up the memory, and from Ch 1, 2 |
| 3 | March 07 | 3 QUIZ 1 | 5,6 | More on indifference curves, optimal choice | 2. From Ch 3, 4 |
| 4 | March 14 | 4 | 7,8 | More on optimality, income and substitution effects | 3. From Ch 5, 6 |
| 5 | March 21 | 5 | 9, 10 | Demand of goods and supply of inputs, consumer surplus | 4. From Ch 7, 8 |
| 6 | March 28 | 6 QUIZ 2 | 11, 12 | Short run producer model with one and multiple inputs | 5. From Ch 9, 10 |
| 7 | April 04 | MID-SEMESTER TEST | | | 6. No tutorial this week |
| | SEMESTER BREAK | | | | |
| 8 | April 25 | 7 | - | Public Holiday | 7. From Ch 11, 12 |
| 9 | May 02 | 8 QUIZ 3 | 13, 14 | Production decision in long run, introduction to perfect competition | 8. From Ch 1-12 (a review) |
| 10 | May 09 | 9 | 15, 16 | First Welfare Theorem, General equilibrium | 9. From Ch 13, 14 |
| 11 | May 16 | 10 | 17, 18 | Choice and market under risk, Elasticity, price distortion and non-price rationing | 10. From Ch 15, 16 |
| 12 | May 23 | 11 QUIZ 4 | 22, 23 | Asymmetric information, Monopoly | 11. From Ch 17, 18 |
| 13 | May 30 | 12 | 24, 25 | Strategic thinking, Oligopoly | 12. From Ch 22, 23 |

RELATIONSHIP BETWEEN ASSESSMENT AND LEARNING OUTCOMES

Assessment comes in a variety of forms and wherever possible is used to reflect and enhance the learning and teaching process that occurs in the class room. In this case assessment has been kept as an integral part of the teaching and learning process.

As this unit of study demonstrates, it is clear that no single type of assessment could provide an accurate measurement of learning outcome. Students will be given the best opportunity to demonstrate their understanding of the learning experience. Thus I have decided to use a variety of data gathering methods such as online quizzes, in-class test, and end year closed book examination with a variety of questions for example multiple choice, short answer and numerical problem solving questions.

The format of assessment is designed to quantify the extents to which students have progressed towards desired learning outcomes. Feedback on any assessment task on learning performances will be provided within 21 days (individually during the consulting hours). The e-learning facilities in the Blackboard will be used extensively to provide opportunities to students for learning and self assessing the absolute and relative quality of their own work.

The components of assessment in this course are as follows:

(1) Mid-semester test 30% (10% multiple choice and 20% short answer)

A 90-minute test (including 25 multiple choice questions and 2 short-answer questions) will be held in place of the regular lecture in Week 7, before the semester break. This test is an indication of the form of the final examination. A non-programmable calculator is allowed in the test.

(2) Online quizzes 10% (2.5% each quiz)

There will be 4 online quizzes in this course, each containing 20 multiple choice questions and each student will most likely face a slightly different set of questions. The quizzes will be accessed online through the unit web page on Blackboard at <http://learn.mq.edu.au>. Each quiz will be available until midnight the day before the following quiz and then it will be closed. The final quiz will be closed at midnight on the final day of teaching. All students must access and complete the quiz in the set time period.

Students must be aware that IT failures occur and that with large numbers of students, congestion can at times limit access. It is the student's responsibility to plan for these possibilities and completion of the quiz soon after release is strongly advised. While catastrophic system failures will be taken account of, events such as system outage with three hours to go will not.

| Quiz | Released | Availability |
|------|----------|-------------------------|
| 1 | Week 3 | 12pm 08/03 – 12pm 28/03 |
| 2 | Week 6 | 12pm 29/03 – 12pm 02/05 |
| 3 | Week 9 | 12pm 03/05 – 12pm 23/05 |
| 4 | Week 12 | 12pm 24/05 – 12pm 03/06 |

(3) Final Examination 60% (20% multiple choice and 40% short answer)

A 2 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.

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 quizzes, mid-semester tests or examination 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 quiz will not be able to resit the quiz. Their assessment on the remaining components of the course will be scaled up proportionally. Students granted Special Consideration for the missed mid semester test will be required to sit the test at a later time. 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

Students are expected to present themselves 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. For details check:

<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

<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, the final day of the official examination period.

As indicated in the event of documented adverse personal circumstances, such as accident, illness, etc., a supplementary exam **may be** granted. However, when a student has extra time to prepare while suffering only a minor ailment, a higher standard is expected in the deferred exam. Also, students who sit the regular final exam and then request a supplementary exam should know that, if a supplementary exam is granted, his/her performance in the supplementary exam may raise or lower the result obtained in the regular final exam.

| | Assessment Task 1 | Assessment Task 2 | Assessment Task 3 |
|---------------------------------|---|--|--|
| Name of task | Mid-semester Test | Online Quizzes | Final Exam |
| Description of Task | Multiple Choice Questions: 25 (10% weight) Short Answer questions: 2 (20% weight) Total time: 90 mins | 20 Multiple Choice questions each quiz | Multiple choice and short answer questions |
| When | Week 7 | Weeks 3, 6, 9, and 12 | See exam timetable |
| % weighting | 30% | 10% | 60% |
| What will the assessment | All content up to and including week 6 | TBA | All content through out the whole semester |

| | | | |
|-----------------------------------|---|--|---|
| be on? | | | |
| Feedback | Grade and feedback via blackboard with 3 weeks of the test | Grade via blackboard within 2 weeks of the quiz | Students are welcome to discuss the paper after the publication of result by appointment |
| Grading Method | MCQ: 1 mark for right ans; Short Ans question: Raw marks will be given on each question. Judgement will be based on your understanding, correctness and coverage | MCQ: 1 mark for right ans; | MCQ: 1 mark for right ans; Short Ans question: Raw marks will be given on each question. Judgement will be based on your understanding, correctness and coverage |
| Learning outcomes assessed | | | |
| 1 | Ability to assess economic decisions under the light of formal principles of economic welfare and distributive justice | Ability to assess economic decisions under the light of formal principles of economic welfare and distributive justice | Ability to assess economic decisions under the light of formal principles of economic welfare and distributive justice |
| 2 | Precise use of concepts and models | Precise use of concepts | Precise use of concepts, economic and mathematical models |
| 3 | Ability to develop and discuss an argument or statement | | Ability to develop and discuss an argument or statement |
| 4 | Ability to express and analyse real life economic decisions in terms of formal models | | Ability to express and analyse real life economic decisions in terms of formal models |
| 5 | Effective written communication | | Effective written communication |

| | | | |
|---------------------------------------|--|--|---|
| Graduate Capabilities Assessed | | | |
| 1 | Discipline specific knowledge and skills | Discipline specific knowledge and skills | Discipline specific knowledge and skills |
| 2 | Identify problem and analyse the main features | Identify problem and analyse the main features | Identify problem and analyse the main features |
| 3 | Problem solving | | Problem solving |
| 4 | Relate theory to policy | | Relate theory to policy |
| 5 | | | Critical and effective thinking to current issues |

ACADEMIC HONESTY

The nature of scholarly endeavour, dependent as it is on the work of others, binds all members of the University community to abide by the principles of academic honesty. Its fundamental principle is that all staff and students act with integrity in the creation, development, application and use of ideas and information. This means that:

- all academic work claimed as original is the work of the author making the claim
- all academic collaborations are acknowledged
- academic work is not falsified in any way
- when the ideas of others are used, these ideas are acknowledged appropriately.

Further information on the academic honesty can be found in the Macquarie University Academic Honesty Policy at

http://www.mq.edu.au/policy/docs/academic_honesty/policy.html

GRADES

Please refer to relevant Bachelor Degree rule in the Handbook of Undergraduate Studies.

GRADING APPEALS AND FINAL EXAMINATION SCRIPT VIEWING

If, at the conclusion of the unit, you have performed below expectations, and are considering lodging an appeal of grade and/or viewing your final exam script please refer to the following website which provides information about these processes and the cut off dates in the first instance. Please read the instructions provided concerning what constitutes a valid grounds for appeal before appealing your grade.

http://www.businessandeconomics.mq.edu.au/for/new_and_current_students/undergraduate/admin_central/grade_appeals

SPECIAL CONSIDERATION

The University is committed to equity and fairness in all aspects of its learning and teaching. In stating this commitment, the University recognises that there may be circumstances where a student is prevented by unavoidable disruption from performing in accordance with their ability. A special consideration policy exists to support students who experience serious and unavoidable disruption such that they do not reach their usual demonstrated performance level. The policy is available at:

http://www.mq.edu.au/policy/docs/special_consideration/procedure.html

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>.

IT CONDITIONS OF USE

Access to all student computing facilities within the Faculty of Business and Economics is restricted to authorised coursework for approved units. Student ID cards must be displayed in the locations provided at all times.

Students are expected to act responsibly when utilising University IT facilities. The following regulations apply to the use of computing facilities and online services:

- Accessing inappropriate web sites or downloading inappropriate material is not permitted. Material that is not related to coursework for approved unit is deemed inappropriate.
- Downloading copyright material without permission from the copyright owner is illegal, and strictly prohibited. Students detected undertaking such activities will face disciplinary action, which may result in criminal proceedings.

Non-compliance with these conditions may result in disciplinary action without further notice.

Students must use their Macquarie University email addresses to communicate with staff as it is University policy that the University issued email account is used for official University communication.

(This outline is subject to changes, if necessary)