



MACQUARIE UNIVERSITY

Division of Economic and Financial Studies

ECON822 MICROECONOMICS 2006

MACQUARIE UNIVERSITY
SCHOOL OF ECONOMIC AND FINANCIAL STUDIES
ECON 822 MICROECONOMICS Semester 2 2006

Aims of the Course

Welcome to ECON 822. This course is primarily concerned with analysing the behaviour of individual decision-making units in the economy – primarily households and firms. By the end of the course, students should have a good grounding in neoclassical microeconomics. In particular students will understand some analytical techniques economists use to explain (i) economic behaviour; (ii) how economic behaviour responds to changes in circumstances; and (iii) what government intervention might achieve.

Lectures and Tutorials

There are three teaching hours per week throughout the semester. The bulk of the class time will be devoted to lectures, but time will be also set aside each week for tutorial sessions. These tutorial sessions are designed to review and to extend the work covered in lectures.

Classes will be held in W5C Room 301 on Tuesdays from 6:00pm until 9:00pm unless an alternative meeting time or place has been discussed in class and agreed upon.

The lecturer responsible for teaching of this course is:

Mr Michael McLennan (E4A-453 telephone 9850 8505)
mmclenna@efs.mq.edu.au

Consultation hours: 4pm-5pm, Tuesday; or by appointment.

Enquiries and Problems

(a) Academic

Members of the academic staff are willing to assist you with problems arising from your courses. Problems relating to difficulties you might be having in understanding material in lectures, readings or workshops should be directed to the lecturer in charge of the particular course.

(b) Personal

If your studies are being affected by personal problems, or if you are having difficulty in adjusting to University life, contact the Student Counselling Service which provides assistance with a very wide range of problems.

(c) Special Consideration

If you are unfortunate enough to suffer accident, illness, or any other disturbance which affects your work, you should apply to have account taken of this in the assessment of your performance. To do this, you should write to the Registrar immediately the problem arises, stating:

- (a) The courses you are enrolled in;
- (b) Details of any work missed or affected;
- (c) The nature of the problem, including evidence (e.g., medical certificate/s where applicable).

Assessment

Assessment in the course will be as follows:

	%
Mid semester Test	20
Tutorials (5 each worth 3%)	15
Compulsory Assignment	10
Final Examination	<u>55</u>
	<u>100</u>

Attendance is compulsory. Students must attend a majority of classes to pass the course.

All **tutorials** are to be handed in at the start of the Tuesday class. The intention here is for me to get an idea of how you are going on a regular basis – perfection is not the aim with these tutorials, the attempt is the aim. They are to be handwritten answers, not typed. Unless otherwise discussed among the class, these tutorials are due on the dates indicated below. Keep a photocopy of your work.

The **mid-semester (1 hr)** test will be focus on short answer questions designed to test knowledge of material from weeks 1 to 6 – the questions will be similar to those presented in tutorials, and the test will take place in the first hour of the week 7 class.

The **compulsory assignment** will be handed out in week 4, and will involve writing an essay on a microeconomic topic of your choice with a practical focus. The assignment will be due in the class of October 10th. Keep an electronic and printed copy of the submitted assignment. See plagiarism note below.

The **final examination (2 hrs)** will test your knowledge on the course of a whole, and feature short and extended answer questions. Some questions will involve internal choice, others will be compulsory. The content of the exam will be discussed

in the final class in the context of a review of material. All students must pass this exam in order to pass the course.

Week (Tuesday)	Assessments Due
Week 1 (1 Aug)	
Week 2 (8 Aug)	
Week 3 (15 Aug)	Tutorial 1 due (3%)
Week 4 (22 Aug)	
Week 5 (29 Aug)	Tutorial 2 due (3%)
Week 6 (5 Sept)	
Week 7 (12 Sept)	Mid-semester Exam (20%)
Week (19 Sept)	BREAK
Week (26 Sept)	BREAK
Week 8 (3 Oct)	Tutorial 3 due (3%)
Week 9 (10 Oct)	Compulsory Assignment due (10%)
Week 10 (17 Oct)	Tutorial 4 due (3%)
Week 11 (24 Oct)	
Week 12 (31 Oct)	Tutorial 5 due (3%)
Week 13 (7 Nov)	Final week of classes - revision
Week 14 (14 Nov)	STUVAC – No classes
Week 15 (21 Nov)	Final Examination Period
Week 16 (28 Nov)	Final Examination Period

Plagiarism (relevant for compulsory assignment and tutorials above)

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 on the web at: www.student.mq.edu.au/plagiarism. Penalties may include a deduction of marks, failure in a unit, and/or referral to the University Disciplinary 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 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. 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.

Lecture Outline

NOTE: Topics do not align exactly to weeks of the course. For example – topic 2 will probably take two weeks of lectures to get through; topic 8 will probably take one.

Topic No.	Title - details	Readings
1	Introduction – nature of economics; basic microeconomic concepts (scarce resources and their allocation, opportunity costs, marginal analysis, ceteris paribus, production possibilities); the scientific method; reasons for government intervention.	GKM , chs 1-2 PR , ch 1
2	Supply and Demand analysis – analysis of supply and demand functions; applications; price elasticity of demand; price elasticity of demand; income elasticity and cross elasticity of demand.	GKM , chs 4-5 PR , ch 2
3	Consumer Behaviour Theory (demand theory)– cardinal and ordinal utility; choice and constraints; consumer’s demand curve; applications of indifference curve analysis including the theory of exchange and the theory of comparative advantage.	GKM , ch 22 PR , chs 3-4 NW , chs 2-3
4	Theory of the Firm (supply theory) – theory of production; the production function and individual firm; the short run situation; theory of production costs: the long run.	GKM , ch 13 PR , chs 6-7 NW , chs 5-6
5	Market Structures – market structures and firm’s revenue conditions; short run equilibrium of the firm and industry in perfect competition; pure monopoly; applications of the monopoly model; monopolistic competition; oligopoly models; market efficiency.	GKM , chs 14-16, 18 PR , chs 10-12, 13 NW , chs 7-11
6	Factor Markets – rent and wage determination – factor demand and supply; controversies in factor price determination; monopsony.	GKM , ch 19 PR , ch 14 NW , ch 12
7	Economics of Information – basic game theory (optional); adverse selection and moral hazard; wage bargaining; market for insurance.	GKM , pp. 480-485 PR , ch 17 NW , chs 9, 13
8	Market Failure and Policy – causes of market failure; externalities; public goods; scope for microeconomic policy.	GKM , chs 10-11 PR , ch 18 NW , ch 15
9	OPTIONAL - Introduction to General Equilibrium and Welfare – general vs partial equilibrium, properties of general equilibrium, welfare theorems. Conditions and their intuitive explanation.	TBA PR , ch 16
10	OPTIONAL – Heterodox Microeconomics – critiques of neoclassical paradigm; alternative microfoundations – Sraffian, feminist, ecological, behavioural economics, etc.	TBA
11	Revision	

Books on Microeconomics

(a) Set Text

The book prescribed for this course is either of the following:

Joshua Gans, Stephen King and N. Gregory Mankiw, *Principles of Microeconomics*, Thomson, 3rd edition, 2005.

OR

R.S. Pindyck and D.L. Rubinfeld, *Microeconomics*, Prentice Hall, 6th edition, 2005.

Both are worthwhile texts, though at present there are no copies of the latter in the Co-op bookshop (though one will be placed in Special Reserve). It should be noted that any of the 'Additional References' could easily be used, and will be referenced in the readings list below for students who would like a copy.

Also a study guide of worth that can be found in the Co-op bookshop:

J. Lunn, *Study Guide Microeconomics – A Contemporary Introduction – The Wall Street Journal Edition*, Nelson, Thomson Learning, 7th edition, 2005.

(b) Additional References

In addition to the above text, consider the following also useful introductions to the subject.

Douglas McTaggart, Christopher Findlay, and Michael Parkin, *Microeconomics*, Pearson Education, 4th edition, 2006.

Robert Frank, *Microeconomics and Behaviour*, McGraw-Hill, 5th edition, 2003.

(c) More Advanced References

An accepted intermediate micro-text is the following – referenced in the reading list for the benefit of students who find the above a bit basic:

William S Nielsen and Harold Winter, *Intermediate Microeconomics*, South-Western College Publishing, 1998. (Sadly not in the library.)

Hal Varian, *Intermediate Microeconomics: a modern approach*, W W Norton, sixth edition, 2003.

Students who want to burrow into this subject from a mathematical point of view should consider the following:

Edward T. Dowling, *Introduction to Mathematical Economics*, McGraw-Hill, 2nd edition, 1992.

Carl P. Simon and Lawrence Blume, *Mathematics for Economists*, W.W. Norton and Company, 1994.

(WARNING: the following book is only for people who really want to see what microeconomics is REALLY about, and requires comfort with some mathematics not taught in this course)

Mas-Colell, Whinston and Green, *Microeconomic Theory*, Oxford University Press, 1995.

And for those who want to learn more about the history of economics as a field and where these topics fit within the development of economic analysis:

Ingrid Rima, *Development of Economic Analysis*, Routledge, 6th edition, 2001.