ECON822  MICROECONOMICS

Semester 1, 2010

Unit Outline

Department of Economics
Aims of the Course

Welcome to studies in the Postgraduate Diploma in Applied Economics. The two courses ECON822 and ECON823 together survey the main ideas and concepts involved in modern economics, and provide students with an understanding of how the economy works, what type of problems economists attempt to solve, and how they set about trying to solve them. Whereas ECON823 deals mainly with macroeconomics, that is with the behaviour of the economy as a whole, this course is primarily concerned with the analysis of individual decision making units, and the behaviour of firms and industries in the economy, that is, with microeconomics.

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 set aside for tutorial sessions. These tutorial sessions are designed to review and to extend the work covered in lectures.

The lecturer responsible for the teaching of this course is:

Mr Allan McHarg                     Phone  94493004
                                        e-mail  amcharg@optusnet.com.au

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 affected or missed;

(c) the nature of the problem, including evidence (e.g., medical certificate/s where applicable).

Assessment

Assessment in the course will be as follows:

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<thead>
<tr>
<th>Component</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Mid-semester Test</td>
<td>10</td>
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<tr>
<td>Compulsory Assignment</td>
<td>20</td>
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<tr>
<td>Final Examination</td>
<td>70</td>
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<td><strong>Total</strong></td>
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Lecture Outline

1. **Introduction**

   The economic problem and the microeconomic approach; an overview of the price mechanism; reasons for government intervention.

2. **Supply and Demand Analysis**

   The demand and supply functions; applications of supply and demand analysis; price elasticity of demand; income elasticity and cross elasticity of demand.

3. **The Theory of Consumer Behaviour** (The Analysis of Demand in More Detail)

   Cardinal and ordinal utility; choice and constraints; derivation of the consumer's demand curve; applications of indifference curve analysis including the theory of exchange and the theory of comparative advantage.
4. **The Theory of Producer Behaviour** (The Analysis of Supply in More Detail)

Theory of production: the production function and the individual firm; theory of costs of production: the short run situation; theory of costs of production: the long run situation.

5. **Market Structures**

Market structures and the firm's revenue conditions; short run equilibrium of the firm and industry in perfect competition; long run equilibrium of the firm and industry in perfect competition; pure monopoly; applications of the monopoly model; monopolistic competition; oligopoly; evaluation: perfect versus imperfect market structures.

6. **Introduction to Welfare Economics**

Efficiency and equity.

7. **Economics of Information**

(a) Markets dealing with uncertainty; the market for insurance; the utility analysis of risk and the economics of insurance markets.
(b) The economics of information and market failure.
(c) The economics of information and the theory of the firm; adverse selection and moral hazard, signalling and screening, teamwork, shirking and monitoring, issues in corporate governance.

8. **Other Cases of Market Failure**

Externalities and public goods.

9. **Introduction to Microeconomic Policy**

Microeconomic reform in Australia, issues concerning competition policy, regulation/ deregulation, nationalisation/privatisation.

**Books on Microeconomics**

(a) **Set Text**

The book prescribed for this course is:

(b) Introductory References


(c) More Advanced References

Other useful references which cover the course material but at a more advanced level are listed below.


**Reading Guide**

**Lecture No.**

1. **Introduction**

Frank- Chapter 1

Pindyck and Rubinfeld- Chapter 1

Maddala and Miller – Chapter 1

Swann and McEachern - Chapters 1, 2 and 3

Sloman and Norris – Chapter 1

Sloman - Chapter 1

Jackson *et al.* – Chapters 1-3 and 5-6

Begg, Fischer, Dornbusch – Chapters 1, 2 and 4

McTaggart, Findlay, Parkin - Chapters 1-3.


Eckert and Leftwich - Chapters 1 and 2.
2. **Demand, Supply and the Market**

Frank- Chapter 2; Chapter 4 pages 109-126 and 133-136; Chapter 5 pages 144-147 and 153-155; Chapter 11 pages 347-350; Chapter 12 pages 379-383

Pindyck and Rubinfeld- Chapter 2

Maddala and Miller – Chapters 2 and 3

Swann and McEachern - Chapters 4 and 6

Sloman and Norris – Chapters 2 and 3

Sloman - Chapters 2 and 3

Jackson *et al.* – Chapters 4 and 23

Begg, Fischer, Dornbusch – Chapters 3 and 5

McTaggart, Findlay, Parkin - Chapters 4-7.

Eckert and Leftwich - Chapters 3 and 4.

3. **The Theory of Consumer Behaviour**

Frank- Chapters 3 and 4, Chapter 18W (online [www.mhhe.com/frank7e](http://www.mhhe.com/frank7e)) or Chapter 16 (6th edition) pages 587-597

Pindyck and Rubinfeld- Chapters 3 and 4

Maddala and Miller – Chapters 4 and 5

Swann and McEachern – Chapter 7

Sloman and Norris – Chapters 4 and 19

Sloman - Chapters 4 and 23

Jackson *et al.* – Chapters 24 and 34

Begg, Fischer, Dornbusch – Chapters 6 and 33

McTaggart, Findlay, Parkin - Chapters 7 and 8

Eckert and Leftwich - Chapters 5-7
4. **The Theory of Producer Behaviour**

Frank- Chapters 9 and 10

Pindyck and Rubinfeld- Chapters 6 and 7

Maddala and Miller – Chapters 6 and 7

Swann and McEachern - Chapter 8

Sloman and Norris – Chapter 5

Sloman - Chapter 5

Jackson *et al.* – Chapters 25

Begg, Fischer, Dornbusch – Chapter 8

McTaggart, Findlay, Parkin - Chapters 9 and 10

Eckert and Leftwich - Chapters 9 and 10.

Awh - Chapters 7-10

5. **(A) Market Structures and the Firm's Revenue Conditions**

Jackson *et al.* – Chapter 22

Eckert and Leftwich - Chapter 8

Awh - Chapter 11

(B) **Perfect Competition**

Frank- Chapter 11

Pindyck and Rubinfeld- Chapters 8 and 9

Maddala and Miller – Chapter 10

Swann and McEachern - Chapter 9

Sloman and Norris – Chapter 6

Sloman - Chapter 6

Jackson *et al.* – Chapter 26
(C)  Pure Monopoly

Frank - Chapter 12
Pindyck and Rubinfeld - Chapter 10 and 11
Maddala and Miller – Chapter 11
Swann and McEachern - Chapter 10
Sloman and Norris – Chapter 6
Sloman - Chapter 6
Jackson et al. – Chapter 27
Begg, Fischer, Dornbusch – Chapters 7 and 9
McTaggart, Findlay, Parkin – Chapter 12
Eckert and Leftwich - Chapter 12
Awh - Chapter 14

(D) Monopolistic Competition

Frank - Chapter 13
Pindyck and Rubinfeld - Chapter 12
Maddala and Miller – Chapter 13
Swann and McEachern - Chapter 11
Sloman and Norris – Chapter 7
(E) Oligopoly

Frank- Chapter 13

Pindyck and Rubinfeld- Chapters 12 and 13

Maddala and Miller – Chapter 13

Swann and McEachern - Chapter 11

Sloman and Norris – Chapter 7

Sloman - Chapter 7

Jackson et al. – Chapter 29

Begg, Fischer, Dornbusch – Chapter 10

McTaggart, Findlay, Parkin - Chapter 13

Eckert and Leftwich - Chapter 13

Awh – Chapter 15

(F) Evaluation: Perfect Versus Imperfect Market Structure

Sloman - Chapter 11

Sloman and Norris – Chapter 10

6. Introduction to Welfare Economics

Frank-Chapter 18w (online www mhhe.com/frank7e.) or Chapter 16 (6th edition)
Pindyck and Rubinfeld- Chapter 16
Maddala and Miller – Chapter 9 and 18
Nicholson – Appendix to Chapter 13
Miller and Fishe – Chapter 16
Pindyck and Rubinfeld – Chapter 16
Begg, Fisher, Dornbusch – Chapter 15

7. Economics of Information

(A) The Market for Insurance

Frank- Chapter 6, pages 179-192
Pindyck and Rubinfeld- Chapter 5

(B) The Economics of Information

Frank- Chapter 6, pages 169-178
Pindyck and Rubinfeld- Chapter 17
R.S. Pindyck and D.L. Rubinfeld, Microeconomics, Chapter 17.


(C) The Economics of Information and the Theory of the Firm


8. **Other Cases of Market Failure: Externalities and Public Goods**

Frank- Chapter 16 and Chapter 17 pages 567-575

Pindyck and Rubinfeld- Chapter 18

Maddala and Miller – Chapter 19

Swann and McEachern – Chapters 15 and 16

Sloman and Norris – Chapter 10

Sloman – Chapter 11

McTaggart, Findlay, Parkin - Chapters 16 and 18

Begg, Fischer, Dornbusch – Chapter 15

Miller and Fishe – Chapter 17

Nicholoson – Chapter 16

9. **Introduction to Microeconomic Policy**

Swann and McEachern, Chapters 13 and 14

Sloman and Norris – Chapter 11

Taylor, Moosa, Cowling – Chapter 16

McTaggart, Findlay, Parkin – Chapter 19

Begg, Fischer, Dornbusch – Chapter 18

