



## Barick Chung

### Employment:

2022-present Associate Professor (Teaching), Economics, CUSZSZ.  
2014-2022 Senior Lecturer, School of Management and Economics, CUSZSZ.  
2012-2014 Lecturer, School of Economics and Finance, University of Hong Kong.  
2006-2012 Instructor, Department of Economics, CUHKHK.

### Education:

2003-2007 Ph.D. (Business) Indiana University – Bloomington.  
1987-1991 BS.Sc. (Economics) Chinese University of Hong Kong – Hong Kong.

### Research paper:

Chung, Barick, "Two Level Price Discrimination and Vertical Relationship" (March 05, 2012). Available at SSRN: <http://ssrn.com/abstract=1997070>.

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## ECO 2011 (Sections L07-10) Basic Microeconomics

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**Ten principles of Economics** (Mankiw, Gregory N., 2012, *Essentials of Economics*, 6th Edition, South Western Cengage Learning):

- (1) People face Trade-offs
- (2) The Cost of Something is What you give up to get it
- (3) Rational people think at the Margin
- (4) People respond to Incentives
- (5) Trade can make Everyone Better off
- (6) Markets are usually a good way to organize Economic activity
- (7) Government can sometimes improve Market outcome
- (8) A Country's Standard of living depends on its ability to produce Goods and Services
- (9) Prices rise when the Government prints too much Money
- (10) Society faces a Short-run Trade-off between Inflation and Unemployment

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Mankiw, Gregory, N., 2007, *Essentials of Economics*, 4th edition, pp. 7-8:  
People respond to incentives

**"An incentive is something (such as the prospect of a punishment or a reward) that induces a person to act.** Because rational people make decisions by comparing costs and benefits, they respond to incentives. You will see that incentives play a central role in the study of economics. One economist went so far as to suggest that the entire field could be simply summarized: **"People respond to incentives. The rest is commentary."** ...

Public policymakers should never forget about incentives because many policies change the costs or benefits that people face and, therefore, alter their behavior. A tax on gasoline, for instance, encourages people to drive smaller, more fuel-efficient cars. That is one reason people drive smaller cars in Europe, where gasoline taxes are high, than in the United States, where gasoline taxes are low. A gasoline tax also encourages people to take public transportation rather than drive and to live closer to where they work. If the tax were larger, more people would be driving hybrid cars, and if it were large enough, they would switch to electric cars.

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Pindyck and Rubinfeld, p.230:

**Accounting cost:** Actual expenses plus depreciation charges for capital equipment.

**Economic cost:** Cost to a firm of utilizing economic resources in production.

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**Economic cost (opportunity cost):** The cost of something is what you give up to get it.

**Accounting cost:** The costs listed on accounting statements (income statement /balance sheet).

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My remarks:

Some costs are observable (explicit) and some are unobservable (or implicit).

Accounting cost includes only explicit costs.

Economic cost includes both explicit and implicit costs.

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Mankiw, Gregory, *Essentials of Economics*, 2012, p. 242:  
"Various measures of cost."

## Total vs. Margin

Output	Total cost	Fixed cost	Variable cost	Average fixed cost	Average variable cost	Average total cost	Marginal cost
0	\$3	\$3	\$0	—	—	—	—
1	3.3	3	0.3	\$3	\$0.3	\$3.3	\$0.3
2	3.8	3	0.8	1.5	0.4	1.9	0.5
3	4.5	3	1.5	1	0.5	1.5	0.7
4	5.4	3	2.4	0.75	0.6	1.35	0.9
5	6.5	3	3.5	0.6	0.7	1.3	1.1
6	7.8	3	4.8	0.5	0.8	1.3	1.3
7	9.3	3	6.3	0.43	0.9	1.33	1.5
8	11	3	8.0	0.38	1	1.38	1.7
9	12.9	3	9.9	0.33	1.1	1.43	1.9
10	15	3	12.0	0.3	1.2	1.5	2.1

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### Vilfredo Pareto (1848-1923)

[http://en.wikipedia.org/wiki/Vilfredo\\_Pareto](http://en.wikipedia.org/wiki/Vilfredo_Pareto)  
accessed 20110122

"Vilfredo Federico Damaso Pareto; 15 July 1848 – 19 August 1923), born Wilfried Fritz Pareto, was an Italian engineer, sociologist, economist, and philosopher. He made several important contributions to economics, particularly in the study of income distribution and in the analysis of individuals' choices. "His legacy as an economist was profound. **Partly because of him, the field evolved from a branch of social philosophy as practiced by Adam Smith into a data intensive field of scientific research and mathematical equations. His books look more like modern economics than most other texts of that day: tables of statistics from across the world and ages, rows of integral signs and equations, intricate charts and graphs.**" He introduced the concept of Pareto efficiency and helped develop the field of microeconomics. He also was the first to discover that income follows a Pareto distribution, which is a power law probability distribution. The pareto principle was named after him and built on observations of his such as that 80% of the land in Italy was owned by 20% of the population. He also contributed to the fields of sociology and mathematics."

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Varian, Hal R., 1987, *Intermediate Microeconomics: A Modern Approach*, International Student Edition, p. 15:

"[An allocation of resource] is Pareto efficient if there is no alternative allocation that leaves everyone at least as well off and makes some people strictly better off."

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#### Pareto efficiency

[http://en.wikipedia.org/wiki/Pareto\\_efficiency](http://en.wikipedia.org/wiki/Pareto_efficiency)  
accessed 20100830



(i) Given a set of alternative allocations of goods or outcomes for a set of individuals, a change from one allocation to another that makes at least one individual better off without making any other individual worse off is called a "**Pareto improvement**" or a "Pareto-optimal move"

(ii) An allocation is defined as "**Pareto efficient**" or "**Pareto optimal**" when no further Pareto improvements can be made

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