

ECON10004

Introductory Microeconomics

Semester 2, 2018

Subject Guide

Department of Economics
Faculty of Business and Economics



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A. KEY INFORMATION

Lecturer:

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Tutorial coordinator:

Dr. Wasana Karunarathne
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If students have any administrative enquiries please contact Wasana by sending an email to IM-Economics@unimelb.edu.au. **When sending enquiries, students must clearly mention the subject/course** they are referring to as Wasana coordinates multiple subjects.

Subject homepage (LMS):

<http://www.lms.unimelb.edu.au>

B. SUBJECT DETAILS

Lectures:

- 2 x 1 hour, weekly

Wed	1:00	The Spot-B01 (Copland Theatre)
Wed	4:15 (repeat)	The Spot-B01 (Copland Theatre)
Fri	8:00	The Spot-B01 (Copland Theatre)
Fri	12:00 (repeat)	The Spot-B01 (Copland Theatre)

Tutorials:

- 1 x 1 hour, weekly
- Timetable via University Timetable (SWS) - see section F for details
- **Please note that the tutorials will commence in Week 1**

Textbooks:

Principles of Microeconomics – Gans, King, Byford, Mankiw (GKBM)
[Any edition can be used]

Microeconomics: Case Studies and Applications, 3rd edition – Jeff Borland
[Any edition can be used]

Copies of these textbooks can be purchased from the bookstore. There are also some copies on reserve at the Giblin Eunson Library.

Readings for each lecture from the current editions of the textbooks are listed in section D of the Subject Guide. Corresponding readings from previous editions of the textbooks are listed in Appendix 1 of the Subject Guide.

These texts are required for the subject. For most lectures, they are the only prescribed reading. At some points in the subject, we will move beyond the coverage of the GKBM text. For these lectures, additional reading material will be provided online or as handouts to be distributed in class.

Assessments:

1. Multiple choice test (5%) – Monday, August 20, 9:00 to Wednesday, Aug 22, 14:00
2. Assignment 1 (10%) – due Wednesday, September 5, 14:00
3. Assignment 2 (15%) – due Monday, October 8, 9:00
4. Tutorial participation and attendance throughout the semester (10%)
5. Final exam (60%) – two-hour exam, date TBA.

Note: To pass this subject, students must pass the final exam.

C. SUBJECT OBJECTIVES

Students who complete this subject will be able to:

- Understand the operation of the economy, and to guide decision-making by individuals, businesses and government
- Evaluate and critically analyse government policy, and make an informed contribution to public debate on economic issues
- Proceed to the study of other economics and commerce subjects that have a knowledge of introductory microeconomics as a prerequisite
- Explain the nature and role of theory and models in economic analysis
- Explain the concepts of demand, supply, and market equilibrium; and apply the model of demand and supply in a market to explain the determinants of prices and output of goods and services
- Explain how market and social welfare outcomes are affected by changes in demand/supply and government policy, and explain how and in what circumstances intervention by government in the operation of the economy can improve efficiency and social welfare
- Identify “strategic situations” in economic activity, and be able to analyse and predict outcomes of strategic situations
- Identify the main characteristics of different market structures, such as perfectly competitive and monopoly markets. Describe the nature of decisions and outcomes in those markets, analysing and predicting price and output outcomes in the different markets
- Explain models of firm behaviour in choosing output, price, and how to produce

- Use examples to illustrate key concepts such as the role of demand and supply factors in determining market outcomes, the effects of government intervention on market outcomes, the existence of strategic situations in the economy, different types of markets
- Apply economic models of individual behaviour and markets to describe the main features of actual markets, and to explain outcomes in actual markets, including prices and output levels, and business performance and profitability

D. LECTURE OUTLINE AND READINGS

Lecture	Date	Topic	Reading 1	Reading 2
			GKBM	Case Study book – 3rd edition
		A. Introduction		
1	July 25	Subject overview	Ch. 2	
2	July 27	Introduction to key concepts	Ch. 3	1.2, 1.5
		B. Perfectly competitive markets		
3	August 1	Demand and supply	Ch. 4	2.1
4	August 3	Market equilibrium and comparative statics	Ch. 4	2.3, 2.5
5	August 8	What determines price and quantity? – 1. Elasticity and applications	Ch. 5	2.4, 2.6
6	August 10	What determines price and quantity? – 2. Government intervention	Ch. 6	2.9
		C. Welfare & markets		
7	August 15	Welfare in perfectly competitive markets	Ch. 7	2.7
8	August 17	International trade	Ch. 9	3.2, 3.4
9	August 22	Market failure 1: Externalities	Ch. 10	4.1, 4.4
10	August 24	Market failure 2: Public goods	Ch. 11	4.3
11	August 29	Markets – A review		1.6, 2.11, 4.5

Lecture	Date	Topic	Reading 1	Reading 2
			GKBM	Case Study book – 3rd edition
		D. The firm & managerial economics		
12	August 31	Key decisions and concepts	Ch. 13	5.1
13	Sept 5	Measures of cost	Ch. 13	5.2
14	Sept 7	Cost management/ Revenue and market structure	Ch. 16	5.3, 5.4, 5.5
15	Sept 12	Price/quantity decision	Ch. 14, 15	5.6
16	Sept 14	The effect of competition – Perfectly competitive markets	Ch. 14	5.9
17	Sept 19	Imperfectly competitive markets	Ch. 15, 16, 18	5.11
18	Sept 20	Price discrimination	Ch. 15	5.10
		E. Game theory		
19	Oct 3	Introduction to game theory	Reading hand-out	
20	Oct 5	Simultaneous games	Reading hand-out	6.1, 6.2
21	Oct 10	Sequential games	Reading hand-out	6.4, 6.5
22	Oct 12	Oligopoly	Ch. 17	
		F. Review		
23	Oct 17	Subject Review		
24	Oct 19	Exam review		

E. ASSESSMENT DETAILS

Multiple choice test (5%):

The multiple-choice exam will be conducted online through the LMS subject webpage, between Monday, August 20, 9:00 and Wednesday, August 22, 14:00. There will be 10 multiple choice questions (each worth equal marks). You will have 25 minutes to complete the exam. Each student will receive a different set of questions randomly chosen from a much larger set of questions. Review multiple choice questions will be available prior to the test. There will also be review sessions for the test (details TBA).

Assignment 1 – 750 words (10%):

In this **individual assignment**, you will be required to use economic concepts to answer questions on material that relates to the topics taught up to this point. The assignment is due on Wednesday, September 5, 14:00.

Assignment 2 – 1250 words (15%):

In this **individual assignment**, you will be required to use economic concepts to answer questions on material that relates to the topics taught up to this point. The assignment is due on Monday, October 8, 9:00.

Submitting Assignments 1 and 2:

Assignments 1 and 2 will be submitted in electronic format using the LMS Assignment Tool and Turnitin links available on the LMS subject webpage.

Please note that you are required to keep a copy of your assignment after it has been submitted, as it may be necessary for you to be able to provide a copy of your assignment at some later date.

Meeting Deadlines:

It is very important that you submit Assignments 1 and 2 by the specified times on the due dates. Late assignments, where approval for late submission has not been given, will be penalised at the rate of 10% of the total mark per day, for up to 10 days, at which time a mark of zero will be given. Assignments that exceed word limits may also attract a marking penalty.

<http://fbe.unimelb.edu.au/students/bcom/current-students/assessment>

There is a no-extension policy for this subject; if you are significantly affected by illness or other serious circumstances during the semester, you may be eligible to apply for Special Consideration. <http://students.unimelb.edu.au/admin/special>

Tutorial participation and attendance (10%):

At the end of semester your tutor will assign you a mark out of 10 for tutorial participation. Your grade for participation will depend on:

- Evidence of preparation for the tutorial
- Frequency of participation in discussion
- Relevance and logic of comments in discussion
- Evidence of active listening to other students' contributions

In addition, your tutorial attendance record will affect your mark in the following way. If you have attended at least 10 tutorials during the semester, your final mark for this exercise will be equal to the tutor's original mark. If you have attended less than 10 tutorials during the semester, your final mark for this exercise will be equal to the tutor's original mark minus 1 for each tutorial less than 10 that you attended.

Note that to receive a mark for tutorial participation and attendance, you must have a valid tutorial enrolment.

Final examination (60%):

The final exam is held at the end of semester and lasts for two hours. It will include a mix of multiple-choice, short answer, and essay type questions. More details about the exact format of the 2018 exam will be provided later in the semester. There will also be several pit-stop tutorials during the SWOT Vac (the week before the start of the university-wide examination period). *Note: To pass this subject, students must pass the final exam.*

F. TUTORIAL DETAILS

Pre-tutorial tasks:

Each week, a *pre-tutorial sheet* will be posted on LMS before the tutorials. The pre-tutorial sheet provides a guide to the subject matter of that week's lectures and the next week's tutorial. For example, the pre-tutorial sheet distributed in week 1 covers material that is the subject of lectures in week 1 and will be reviewed in tutorials in week 2. The pre-tutorial sheet lists the main concepts and readings, and includes review questions. It is an important part of learning in this subject that you should attempt these questions. Solutions to the questions will be posted on LMS at the end of each week.

In-tutorial tasks:

Each week, an *in-tutorial sheet* will be distributed in your tutorial. The in-tutorial sheet lists the tasks that will be covered in that tutorial. Generally, these tasks will be problem-type questions. Your tutor will break you up into small groups where you will work out solutions to the problems. At the end of the tutorial your tutor will bring everyone back together and review solutions. Often this will involve asking the small groups to take turns in presenting their suggested solutions.

Note that only solutions to the pre-tutorial sheet will be posted on the LMS subject site. The solutions to the in-tutorial sheet will be covered in the tutorials and will not be posted on LMS.

Tutorial enrolment:

There will be weekly tutorials starting in the first week of classes. Allocation to tutorials is determined by the University's class registration system. You must enroll in a tutorial going to your student portal. Tutorial timetable can be viewed accessing the [University Timetable \(SWS\)](#). If students have any issues related to tutorial enrolment and wish to change into a different tutorial, they should make a request through [Class Registration Enquiry Management \(CREM\) system](#). Any further enquiries related to class registration should be taken to [STOP1](#).

Please note that subject coordinators or tutors do not have access to authorize a transfer from one tutorial to another. Tutors cannot permit a transfer not even from

one of their own tutorials to another of their own tutorials. Tutors are only permitted to allow you to attend their tutorial if you are not enrolled in that tutorial when, because of illness, you have missed your allocated tutorial in a particular week. In that case a tutor may permit you to “sit in” at a later tutorial for that week only and on no subsequent occasion during the semester. You should obtain an attendance form from the tutor to pass on to your regular tutor to be entered into the attendance record.

G. EXPECTATIONS

- *Attend lectures.* Lectures will give you a broad understanding of each topic and where it fits into the subject. You should also read the relevant pages of the textbook and the case study readings.
- *Work outside class contact hours.* Working outside class hours is essential for performing to your full potential in the subject. It is recommended that 5-6 hours per week (on average) should be spent on Introductory Microeconomics. This would consist of about 1 hour per week reading the textbook, 2 hours per week doing the pre-tutorial exercises, 2 hours per week (averaged over the semester) on the assessment tasks, and ½ hour using the on-line revision tools.
- *Learn how to apply the main concepts.* To do well in this subject, it is not enough to be able to remember definitions or to provide a summary of lectures. What is most important is to be able to apply the concepts and approaches that you’ll learn. The best way to develop this skill is through active learning – for example, trying to answer problems and questions, and discussing those answers with your fellow students and with your tutor. Of course, you also need to know things like definitions of concepts – but this should be the start rather than the end of your study for the subject.
- *Practise writing up answers and doing diagrams.* You should attempt to write up answers to each set of pre-tutorial and tutorial exercises. Answers can include one or a combination of: words, diagrams, mathematics, and numerical examples. This is good practice for the exam.
- *Do the assessment exercises.* Ensure that you complete the multiple choice test, submit assignments, contribute to tutorials, and attend the final exam.

H. RESOURCES

Subject homepage:

You can access the subject homepage at: <http://www.lms.unimelb.edu.au>. To access the homepage, you will need to use the same username and password that you use to access your University of Melbourne email account. It is important to check regularly the subject homepage for any new announcements.

A range of information is available on the subject website:

- Subject Guide
- Announcements about the subject
- Lecture slides, recordings, and supplementary notes (if any)
- Tutorial material
- Access to Assignment Tool for submitting Assignments 1 and 2
- Access to multiple choice revision modules, and to the multiple choice test
- Old exam papers and solutions
- Access to the Online Tutor

Lecture captures:

Audio and video recordings of each lecture will be available on LMS. These recordings allow you to revise lectures during the semester, or to review lectures in preparation for the end of semester exam.

Tutor consultation times:

There are designated consultation times when you will be able to consult with a tutor on an individual basis about questions or problems you have with the subject material or about assessment exercises. A list of available consultation times and locations is on LMS.

Online tutor (OLT):

The OLT provides the scope to ask questions to a tutor via LMS. You may consult the OLT about questions related to the subject material and about the assessment exercises.

The aim of the OLT is to help you understanding key concepts. It needs to be stressed that the OLT is not intended as a substitute for regular tutorials. It is therefore not a facility for providing solutions to tutorial questions. What the OLT is intended for is to assist you in being able to work out solutions to problems yourself. So if you have a query you need to describe what aspect you do not understand and show that you have made some attempt to resolve the problem yourself. You should also consult the relevant sections of your textbook before asking a question. Definitions, which are readily available in the textbook, will also not be provided by the OLT. It is however appropriate to consult the OLT if you have a question about an aspect of the definition you do not understand. The OLT will inform students directly if a question does not fall within the guidelines for the systems use. Those questions that show some evidence of thinking and work will be given the most thorough response. Each time you access the OLT, you will be prompted for

keywords that relate to the question you want to ask, and the OLT system will direct you to previously asked questions that relate to these keywords. It is very important to check whether your question has been previously asked – since the OLT will not respond to questions that have already been asked, and are hence already available for viewing.

The OLT is available to help point you in the right direction as far as what is expected in an assessment exercise. Clearly, the OLT will not give answers to questions that relate too directly to a question set for the assessment.

Answers will in general be provided by the OLT within a 24-hour period. On certain occasions, when the system is particularly busy or on weekends a slightly longer period may be taken. The period before the in-semester assessments and end of semester exam is always particularly busy, so it is always best to ask questions early at those times. Whilst there is no limit on the number of questions which can be asked of the OLT by an individual student, the service is, like all resources, limited. If too many questions are asked by a student, this would also suggest that that student has not spent sufficient time consulting the textbook and others sources for answers. It should be noted that whilst the use of humour is appropriate in relation to your dealings with the OLT, insulting and offensive communications will not be tolerated.

Pit-stop tutorials:

Additional pit-stop tutorial sessions will be scheduled prior to the in-semester assessments, and will be conducted prior to the final exam. The pit-stop tutorials provide an additional opportunity to consult face-to-face with a tutor about the assessment tasks.

I. PLAGIARISM

It is the policy of the Department of Economics that attention be drawn to the nature and serious consequences of plagiarism and collusion.

Plagiarism:

Plagiarism is the act of representing as one's own original work the creative works of another, without appropriate acknowledgement of the author or source. (Creative works may include published and unpublished written documents, interpretations, computer software, designs, music, sounds, images, photographs, and ideas or ideological frameworks gained through working with another person or in a group. These works may be in print and/or electronic media.)

Collusion:

Collusion is the presentation by a student of an assignment as his or her own which is in fact the result in whole or in part of unauthorised collaboration with another person or persons. Collusion involves the cooperation of two or more students in plagiarism or other forms of academic misconduct. Both the student presenting the assignment and the student(s) willingly supplying unauthorised material (colluders)

are considered participants in the act of academic misconduct. There is no objection to assignments being discussed in a preliminary way among students. *What is not permissible is anything in the nature of joint planning and execution of an assignment.*

Where an allegation of academic misconduct involving either plagiarism or collusion is upheld, significant penalties such as deprivation of credit for a subject or component of assessment can be imposed.