

## Econ110-L4: Introductory Microeconomics

*OBE Pilot Project Course\**

**Lectures:** Tue/Thurs 16:30-17:50  
(Lecture Theater C)

**Tutorial Sessions:**

4A Wed 9:00-9:50 (Room2405)  
4B Thu 10:30-11:20 (Room4505)  
4C Tue15:30-16:20(Room4504)

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**Teaching Assistant:** John Cheng  
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Office location: 2393

**Course Website:** LMES (<http://lmes2.ust.hk/>)

**Description:**

Microeconomics studies markets based on decisions made by individual actors in an economy such as consumers, business firms and government, facing scarcity of resources. In this course, students will learn key concepts in microeconomics and basic tools to understand an allocation mechanism of markets.

**Learning Outcomes:**

On completion of the course, students are expected to be able to:

- Identify key concepts in microeconomics.
- Describe basic models, such as demand and supply.
- Demonstrate how these models work.
- Explain basic economic phenomena, using economic models.
- Make prediction about the outcome in a market, using economic models.

**Teaching approach:**

This course mainly consists of lectures and classroom discussions. Students are expected to read assigned reading before the class and encouraged to ask questions during the lecture.

**Assessment Scheme and Course Organization:**

- The course grade will be determined by following components.

Problem Set (6):	20%
Midterm Exam (in class):	35%
Final Exam(3 hours) :	45%

This distribution will not be changed throughout the semester.

- There will be 6 problem sets and announced in class and due in a week. It will be collected in class. Late submission is not accepted in any circumstances. However, I will allow early submission.
- The midterm exam is held in class and scheduled on March 12<sup>th</sup>, 2009
- The final exam contains all the materials covered throughout the semester.
- In the case of absence at an exam due to medical reasons, the student is required to submit medical certificate issued by a registered medical practitioner. Appropriate documentation would

be required for absences due to other reasons. Students should inform me as early as possible if they foresee missing an exam.

- Announcements, lecture slides, and supplementary materials (if any) will be updated onto the course website.
- If a student finds difficulties in the course and has any concern about the course, it is his/her benefit to contact me or the teaching assistant at the early stage.

**Required Textbook:**

M. Parkin: "*Microeconomics*," 8th ed., Pearson International, 2008.

- Most assignments are from the required textbook. If you wish to use 7th editions of Parkin, it is your responsibility to make sure that you submit the assignments based on 8<sup>th</sup> edition.

**Learning environment:**

Matured conduct in classroom is the requirement for this course. Distractive behaviors such as use of cell phone, instant messaging and chatting are not tolerated. Violation of this rule will result in deduction of points from student's grade. Please refer to following website for the guideline for good learning environment: [http://www.ust.hk/vpao/conduct/good\\_learning\\_experience.pps](http://www.ust.hk/vpao/conduct/good_learning_experience.pps).

**Academic Honesty and Integrity:**

Honesty and Integrity is central value in HKUST. Please be aware of the importance and maintain high standard of honesty in the problem sets and examinations in this course. Familiarize yourself to the university rules and the HKUST academic honor code by visiting following website:

<http://www.ust.hk/vpao/integrity/>.

In this course, you are allowed to form study groups and discuss the materials in the problem sets. However, you are not allowed to copy works of others and each member of the study group has to submit the assignment on his/her own.

**\*OBE Pilot Project:**

This is one of the courses under the Outcome Based Education (OBE) Pilot Project of the university. The OBE is a teaching approach that sets clear and specific intended learning outcomes and makes assessment about students' performance based on the planned outcome. As part of the project, I will ask you to participate in the mid-semester online survey regarding the teaching approach of this course. I appreciate your corporation.

For more detail on the approach and university-wide initiative to adopt the OBE, please refer to following website: <http://celt.ust.hk/obe/index.htm>.

**Course Schedule:** Reading list will be updated and posted on LMES as we proceed.

		General Topic	Reading from Perkins
Week 1	3-Feb	Introduction	Chapter1: What is Economics?
	5-Feb		Chapter2: The Economic Problem
Week 2	10-Feb	Demand and Supply Analysis	Chapter3: Demand and Supply
	12-Feb		Chapter4: Elasticity
Week 3	17-Feb		Chapter5: Efficiency and Equity (~pp113)
	19-Feb		Chapter6: Markets in Action (pp132-139)
Week 4	24-Feb	Consumer Theory	Chapter8: Possibilities, Preferences and Choices (~pp182)
	26-Feb		
Week 5	3-Mar	Consumer Theory	Chapter8: Possibilities, Preferences and Choices (~pp182)
	5-Mar		
Week 6	10-Mar	Midterm	
	12-Mar		
Week 7	17-Mar		Chapter9: Organizing Production
	19-Mar		
Week 8	24-Mar		Chapter10: Output and Costs
	26-Mar		
Week 9	31-Mar	Theory of Firms	Chapter11: Perfect Competition
	2-Apr		
Week 10	7-Apr		Chapter12: Monopoly (includes Chapter 14 (pp326-331))
	16-Apr		
Week 11	21-Apr		Chapter13: Monopolistic Competition and Oligopoly (if time permits)**
	23-Apr		
Week 12	28-Apr		
	30-Apr		
Week 13	5-May	Factor Market	Chapter17: Demand and Supply in Factor Market. (~pp399, includes Chapter 8, pp182-183)
	7-May		
Week 14	12-May	Review	
	14-May		
Final			

\*\* Whether to cover Chapter 13 or not will be announced in week 10.

**Module Objectives:**

Chapter1

- ✓ Define economics and distinguish between microeconomics and macroeconomics
- ✓ Explain the two big questions of economics
- ✓ Explain the key ideas that define the economic way of thinking
- ✓ Explain how economists go about their work as social scientists.
- ✓ Explain different types of diagrams
- ✓ Explain how to express relationships among variables in a graph.

Chapter2:

- ✓ Define the production possibilities frontier and calculate opportunity cost.
- ✓ Distinguish between production possibilities and preferences and describe and efficient allocation of resources.
- ✓ Explain how current production choices expand future production possibilities
- ✓ Explain how specialization and trade expand our production possibilities
- ✓ Describe the economic institutions that coordinate decisions.

Chapter3

- ✓ Describe a competitive market and think about a price as an opportunity cost
- ✓ Explain the influences on demand
- ✓ Explain the influences on supply
- ✓ Explain how demand and supply determine prices and quantities bought and sold
- ✓ Use demand and supply to make predications about changes in prices and quantities

Chapter4

- ✓ Define, calculate and explain the factors that influence
  - ✧ the price elasticities of demand
  - ✧ the cross elasticities of demand
  - ✧ the income elasticities of demand
  - ✧ the price elasticities of supply
- ✓ Describe the relationship between price elasticity of demand and expense

Chapter5

- ✓ Describe the alternative methods of allocating scarce resources
- ✓ Explain the connection between demand and marginal benefit and define consumer surplus
- ✓ Explain the conditions under which markets move resources to their highest-valued uses and the sources of inefficiency in our economy
- ✓ Explain effects of tax (chapter6)

Chapter8

- ✓ Describe a household's budget line and show how it changes when prices or income change
- ✓ Make a map of preferences by using indifference curves and explain the principle of diminishing marginal rate of substitution
- ✓ Predict the effects of changes in prices and income on consumption choices

Chapter9

- ✓ Explain what a firm is and describe the economic problem that all firms face
- ✓ Distinguish between technological efficiency and economic efficiency.
- ✓ Define and explain the principal-agent problem and describe how different types of business organizations cope with this problem
- ✓ Describe and distinguish between different types of markets in which firms operate
- ✓ Explain why markets coordinate some economic activities and firms coordinate others

Chapter10

- ✓ Distinguish between the short run and the long run
- ✓ Explain the relationship between a firms' output and labor employed in the short run
- ✓ Explain the relationship between a firm's output and costs in the short run and derive a firm's short-run cost curves
- ✓ Explain the relationship between a firm's output and costs in the long run and derive a firm's long-run average cost curve

### Chapter11

- ✓ Define perfect competition
- ✓ Explain how firms make their supply decisions and why they sometimes shut down temporarily and lay-off workers
- ✓ Explain how price and output in an industry are determined and why firms enter and leave the industry
- ✓ Predict the effects of a change in demand and of a technological advance
- ✓ Explain why perfect competition is efficient.

### Chapter12

- ✓ Explain how the monopoly arises and distinguish between single-price monopoly and price-discriminating monopoly
- ✓ Explain how single price monopoly determines its output and price
- ✓ Compare the performance and efficiency of single-price monopoly and competition
- ✓ Explain how price discrimination increases profit
- ✓ Explain how monopoly regulation influences output price economic profit and efficiency

### Chapter13

- ✓ Define and identify monopolistic competition
- ✓ Explain how price and output are determined in monopolistically competitive industry
- ✓ Explain why advertising costs are high in a monopolistically competitive industry
- ✓ Define and identify oligopoly
- ✓ Explain two traditional oligopoly models
- ✓ Use game theory to explain how price and output are determined in oligopoly
- ✓ Use game theory to explain other strategic decisions.

### Chapter 17

- ✓ Explain the link between a factor price and factor income
- ✓ Predict the effects of changes in wage rates on work-leisure choices
- ✓ Explain what determines demand, supply the wage rate and employment in a competitive labor market.
- ✓ Explain why wage rates can be higher or lower than those in a competitive labor markets