



UNIVERSITY
OF TASMANIA

Economics

Faculty of Commerce

BEA200 Intermediate Microeconomics

Semester 1, 2003

Unit Outline

Paul Blacklow

CRICOS Provider Code: 00586B

Contact details

Unit coordinator/lecturer: Dr Paul Blacklow
Campus: Hobart
e-mail: Paul.blacklow@utas.edu.au
phone: 6226 2283
fax : 6226 7587
Consultation hours : Wednesday 4.00pm to 6.00pm
Thursday 11.00am to 1.00pm
Room 310, Level 3, Commerce Building

Unit details

School: Economics
Faculty: Commerce
Unit Title: Intermediate Microeconomics
Unit Code: BEA200
**Prerequisites/
Corequisites** BEA110 Business Economics, (or BEA100 Principles of
Economics 1or equivalent)
**Campus &
Mode:** Hobart, WebCT supported
Unit Weight: 12.5%
**Teaching
Staff:** Paul Blacklow
**Contact
Hours:** 2 x 1 one hour lecture per week,
10:00am & 3:10pm both on Thursdays in LT2.
1 one hour workshop per week,
4:10pm Thursdays LT2.

Contents

Unit description	4
Aim	4
Learning outcomes	4
Prerequisites/corequisites	5
Assumed skills	5
Prerequisites	5
Texts, references and learning resources	5
Prescribed text	5
Access to WebCT	5
Teaching arrangements	6
Lectures	6
Workshops	6
Unit schedule	6
Learning expectations and strategies	9
Assessment	10
Submission of assignments	10
Requests for extensions	10
Academic referencing	11
Plagiarism	11
Additional assistance	12
Help resolving concerns about this unit	12
Occupational Health & Safety (OH&S)	12
School Ombudsperson	13
Unit feedback	13

Unit description

Aim

Intermediate Microeconomics has two main purposes. First, it is a foundation course in the study of economics. Starting from a number of fundamental assumptions, this course develops the neoclassical theory of the optimizing behavior of consumers and firms and the process of interaction of these agents within various market structures. Intermediate microeconomics provides the essential building blocks for higher level economics and finance units. Second, Intermediate Microeconomics shows how the economic theory developed can be directly applied to help solve the day-to-day decisions that face managers, financiers and economists such as dealing with risk and time, minimising cost, production, maximising profit through pricing and analysing markets and competition. It achieves this through application of the theory to real-world examples and solving problems of this nature. This unit is not highly mathematical but does involve some simple algebra, and relies extensively on the use of graphical analysis. An understanding of simple differentiation is also useful, but it will be taught as part of the unit and is not a prerequisite.

Learning outcomes

On completion of this unit, you should be able to:

- Demonstrate an understanding of the concepts of individual and market demand and apply these concepts to analyse the effects of certain events and government policies upon demand.
- Demonstrate an understanding of the concepts of the economics of time and apply these concepts to analyse the effects on saving and investment of certain events and government policies.
- Demonstrate an understanding of the concepts of the economics of risk, including how to measure and risk and incorporate risk and uncertainty into decision making. Understand how insurance and diversification work minimise risk.
- Demonstrate an understanding of the concepts of the economics of labour supply and analyse the effect of events and government policies upon it.
- Demonstrate an understanding of the concepts of cost minimisation and profit maximisation. Be able to determine the inputs for a firm so as to minimise cost and construct demand functions for inputs. Be able to determine the output level of a firm to maximise profits.
- Demonstrate an understanding of the causes and consequences of market structure.
- Estimate demand, cost, and production functions from empirical data and understand the problems associated with each.

Prerequisites/corequisites

Assumed skills

Basic Algebra, Basic Calculus, Graphical Analysis

Prerequisite/corequisite units

BEA110 Business Economics, (or BEA100 Principles of Economics 1 or equivalent)

Texts, references and learning resources

Prescribed text(s)

The prescribed textbook is **Jeffrey Perloff, *Microeconomics***, (2001) second edition, Addison Wesley. It is an excellent intermediate microeconomics book that includes many real world applications and examples. It is strongly suggested that you purchase this book, as the lectures will tend to conform relatively closely to the material in the book.

Second hand copies of **Jeffrey Perloff, *Microeconomics***, (1999) first edition, will suffice, as alternate of the second edition although examples and some sections may vary.

Access to WebCT

The WebCT entry page is at <http://webct.utas.edu.au:8900/>. Click 'Log on to myWebCT' and enter the same username and password that you use for your University email account. Your personal WebCT page will appear, with the units in which you are enrolled listed at the top left of the screen. Click on the 'Intermediate Microeconomics' link to gain access to the home page for this unit. Details about WebCT features are available on <http://www.webct.com/quickstart>. If you run into problems with WebCT, contact the Help Desk on Telephone: 6324 3888, or Email: HelpDesk@weboffice.utas.edu.au.

Teaching arrangements

Lectures

The weekly lectures will be held in LT2 from 10:00am to 10:50am and 3:10 pm to 4:00pm Thursdays. Students will occasionally be expected to work on some in-class exercises in the last 20 minutes of some lectures. The solutions to these exercises will NOT be made available on WebCT.

Workshops

There will be 12 weekly workshops, beginning in week 2 from 4:10 pm to 5:00 pm, Thursdays in LT2. You are reminded that workshops are provided primarily to improve your understanding of the course material. To benefit most from them, you should come well prepared and should already have attempted the workshop exercises. Solutions to the workshop exercises will be put on WebCT a few days after the workshop is held.

Unit schedule

Week	Topic	Readings/ Resources
1	<u>Introduction</u> <ul style="list-style-type: none"> • Unit administration • Setting the stage: some short case studies • A note on optimisation and equilibrium • Brief review: supply & demand <ul style="list-style-type: none"> ○ Markets, demand, supply elasticity, price & equilibrium ○ Arbitrage, price differences & law of one price ○ Examples: loanable funds, aluminium, and cocaine markets. 	Chs. 1- 3
Part I: Consumer Decision Making		
2 & 3	<u>Consumer behaviour and rational choice</u> <ul style="list-style-type: none"> • The budget constraint • Treatment of consumers' preferences & utility • Consumer choice • Derivation of individual consumer demand curves • Substitution and income effects 	Ch. 4

Week	Topic	Readings/ Resources
4	<u>Market Demand and Elasticity</u> <ul style="list-style-type: none"> • Deriving market demand curves • Price elasticity of demand curves • Income elasticity of demand 	Ch.5
Part II: Applications of Consumer Microeconomic Theory		
5	<u>Microeconomics of Time and Intertemporal Choice</u> <ul style="list-style-type: none"> • Present value • Consumption and saving over a lifetime • Market equilibrium prices over time • The consequences of inflation 	Ch. 16 of BP Pashigian, <i>Price Theory & Applications</i> , 16-1, 16-2 & p. 608 & 609 on reserve in library.
6	<u>Microeconomics of Risk Analysis</u> <ul style="list-style-type: none"> • Measuring risk and return • Decision-making under uncertainty <ul style="list-style-type: none"> ○ Measuring attitudes to risk ○ Expected utility, certain equivalent, risk premium • Living with risk and uncertainty <ul style="list-style-type: none"> ○ Information ○ Diversification ○ Insurance ○ Gambling ○ Investment 	Ch. 17
7	<u>Microeconomics of the Labour Supply</u> <ul style="list-style-type: none"> • The labour supply and participation rate in Australia • Consumption-leisure-labour choice • Labour supply • Unemployment and taxation 	Ch. 5

Week	Topic	Readings/ Resources
Part III: Microeconomics of the Firm		
8, 9 & 10	<u>The behaviour of the firm</u> <ul style="list-style-type: none"> • Production, production functions, productivity & innovation • Costs and cost minimisation and supply curves • Profit maximisation and industry supply curves • Profit maximisation: Extensions 	Ch. 6 to 8
Part IV: Market Outcomes		
11	<u>Market structure</u> <ul style="list-style-type: none"> • Pricing under perfect competition • Price and output decisions under monopoly • Monopolistic competition [oligopoly is covered extensively in other units] 	Ch. 9, 11
Part V: Putting Theory into Practice		
12	<u>Empirical applications</u> <ul style="list-style-type: none"> • Estimating demand functions • Estimating cost/production functions • Business and economic forecasting 	

* approximate number only

** from Perloff; other readings may be made available as required.

Learning expectations and strategies

Expectations

The University is committed to high standards of professional conduct in all activities, and holds its commitment and responsibilities to its students as being of paramount importance. Likewise, it holds expectations about the responsibilities students have as they pursue their studies within the special environment the University offers.

The University's Code of Conduct for Teaching and Learning states:

Students are expected to participate actively and positively in the teaching/learning environment. They must attend classes when and as required, strive to maintain steady progress within the subject or unit framework, comply with workload expectations, and submit required work on time.

Learning strategies

If you need assistance in preparing for study please refer to your tutor or lecturer. For additional information refer to the Learning Development website :

<http://www.utas.edu.au/learndev/>

If you will be using WebCT for the first time and would like some information on how to use WebCT refer to the following guide:

http://www.utas.edu.au/coursesonline/docs/using_webct.pdf

Some of the units you will study use video conferencing to deliver lectures and tutorials. To enable you to get the best out of a video conference please refer to the following guide. <http://www.its.utas.edu.au/videoconf/vcstudentguide.pdf>

Assessment

Assessment summary

The final exam will be held in June and comprises 70% of the unit. Internal assessment will comprise the remaining 30% in the following structure:

Component	Weight/Value	Due date
Mini Assignment 1	5%	Week 6 Thursday April 3, 5.00pm
Mini Assignment 2	5%	Week 10 Thursday May 8, 5.00pm
Mini Quiz 1	5%	Week 4, Thursday 20 th March, 10.00am Lecture
Mini Quiz 2	5%	Week 12, Thursday 22 nd May, 10.00am Lecture
Major Quiz	10%	Week 8, Thursday 17 th April, 3.00pm Lecture [quiz includes multiple choice questions in addition to other questions]
Examination	70%	June examination period

Submission of assignments

All work must have the School of Economics Assignment Cover Sheet attached. The cover sheet will be available on the unit page on WebCT.

Please remember that you are responsible for lodging your written work on or before the due date. We suggest that you keep a copy – photocopying is ideal. Even in the most 'perfect' of systems, items sometimes go astray. Lodge your assignments in the box marked BEA200 on Level 4, Foyer Area, Commerce Building. Work will be returned during classes. Uncollected assignments will be available from the Secretary's office, Room 407.

Requests for extensions

Extensions will only be granted on the basis of consultation with your lecturer before the due date. If you are ill, please provide a medical certificate so that this can be noted.

Academic referencing

Student writers need to back up their ideas by referring to scholarly literature, works of art and inventions that they have used. Failure to do so constitutes academic dishonesty (plagiarism), a matter considered by the University of Tasmania as a serious offence. It is important that students understand how to correctly refer to the work of others and maintain academic integrity.

The appropriate referencing style for this unit is

Baumol, William (1986), "Productivity Growth, Convergence and Welfare," *American Economic Review*, vol. 76, pp. 1072-85.

Maddison, Angus (1970), *Economic Progress and Policy in Developing Countries*, London, Allen and Unwin.

For information on presentation of assignments :

<http://www.utas.edu.au/library/assist/gpoa/gpoa.html>

Please read the following statement on plagiarism. Should you require clarification please see your unit coordinator or lecturer.

Plagiarism

Plagiarism is a form of cheating. It is taking and using someone else's thoughts, writings or inventions and representing them as your own; for example, using an author's words without putting them in quotation marks and citing the source, using an author's ideas without proper acknowledgment and citation or copying another student's work.

In fact the intentional copying and submission of someone else's work as one's own is a serious offence tantamount to academic fraud. It is a University offence punishable by a range of penalties that may range from a fine or deduction/cancellation of marks and, in the most serious of cases, exclusion from a unit, a course, or the University. **When in doubt consult your lecturer or tutor.** Details of penalties that can be imposed are available in the Ordinance of Student Discipline or at: www.utas.edu.au/plagiarism

Additional assistance

If you are experiencing difficulties with your studies or assignments, have personal or life planning issues, disability or illness which may affect your course of study, you should raise these with your lecturer.

Student Services staff are located in Hobart, Launceston and Burnie and provide a wide range of services to assist students, they include:

- Student Counsellor
- Careers Adviser
- Disability Adviser
- Student Employment Service.

Or visit the Student Services website at :
<http://student.admin.utas.edu.au/services/>

Should you require assistance in accessing the Library visit their website for more information at <http://www.utas.edu.au/library/>

Contact numbers for Librarian's for this unit is :
<http://www.utas.edu.au/library/about/contact.html#mm>

International Services website provides information on the assistance available to international students, visit their site at :
<http://www.international.utas.edu.au/index.html>

The Learning Development website has a wide range of resources on study skills and learning strategies, visit their site at : <http://www.utas.edu.au/learndev/>

Help resolving concerns about this unit

In the first instance you should contact your lecturer. If the matter is still unresolved and you would like to know who to contact or the procedures for resolving your concern refer to the following website :
<http://student.admin.utas.edu.au/services/complaints/index.html>

The Hobart based Tasmanian University Union (TUU) or the Launceston/Burnie based Student Association (SA) may also be able to assist.

Occupational health and safety (OH&S)

The University is committed to providing a safe and secure teaching and learning environment. In addition to specific requirements of this unit you should refer to the University's policy at: http://www.admin.utas.edu.au/hr/ohs/pol_proc/ohs.pdf

School Ombudsperson

If you have any concerns or complaints with the administration and/or management in this unit or your BEc course of either a general or personal nature, then you should in the first instance discuss the matter with your lecturer. If you feel that you would rather discuss the issue with an independent person, then contact:

Dr Sarah Jennings
School of Economics
Room 413
email sarah.jennings@utas.edu.au

Unit feedback

The University of Tasmania, on a regular basis, evaluates its teaching and learning environment through the Student Evaluation of Teaching and Learning (SETL) system. The University values feedback from students and from time to time you will be asked to complete a SETL evaluation for a unit of study. For more information on SETL go to :

<http://www.admin.utas.edu.au/HANDBOOKS/UTASHANDBOOKS/STUDINFO/studeval.html>