



UNIVERSITY
OF TASMANIA

Economics

Faculty of Commerce

BEA300
Microeconomic Theory & Policy

Semester 1, 2003

Unit Outline

Dr Michael Brooks

CRICOS Provider Code: 00586B

Contact details

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Unit details

School: Economics
Faculty: Commerce
Unit Title: Microeconomic Theory & Policy
Unit Code: BEA300
Prerequisites/ BEA200 (CEC202) Intermediate Microeconomics
Corequisites BEA240 (CEC213, CEC214) Quantitative Methods 2
Campus & Mode: Hobart, WebCT supported
Unit Weight: Third year Unit
BEc BCom BA (12.5%)
Teaching Staff: Dr Michael Brooks

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Unit description

Aim

In broad terms the unit offers an investigation of some of the various institutional devices that channel self-interest to the public interest. The objective is to determine the conditions under which incentive, screening and summative mechanisms generate socially efficient outcomes. Situations in which the pursuit of self-interest is self-defeating, that is, yields outcomes that are not socially optimal, are given extensive treatment.

The unit also provides an introduction to the basic concepts of taxation.

The unit's content is organised around the following topics. Note that some of the concepts are integrated into other areas and therefore do not get separate treatment as such.

1. incentives
2. efficiency
3. market failure and government failure
4. pure public goods
5. externalities
6. taxation
7. equity
8. cost-benefit analysis
9. merit goods
10. uncertainty
11. microeconomic reform

Prerequisites/corequisites

BEA200 (CEC202) Intermediate Microeconomics
BEA240 (CEC213, CEC214) Quantitative Methods 2

Assumed skills

1. Understand the material presented in a standard intermediate microeconomics units such indifference curves, demand theory, cost and production theory, basic game theory.
2. Be comfortable with treating economic problems using either geometrical or mathematical methods.

Texts, references and learning resources

There is no prescribed text for this unit. I will be drawing from a number of different books and journal articles. I will make some lecture notes available which include a number of references. I leave it up to you to pursue the reference material, if you find the matter unclear. Alternatively, come and see me and we'll discuss the problem. Some of the books which you might wish to consult are listed as follows:

Browning, E. and J. Browning, *Public Finance and the Price System*, Macmillan, New York

Campbell, Donald E. *Incentives: Motivation and the Economics of Information*, Cambridge, Cambridge University Press 1995.

Cornes, Richard and Todd Sandler, *The Theory of Externalities, Public Goods, and Club Goods*, Cambridge University Press, Cambridge, 1986.

Cullis John and Philip Jones, *Public Finance and Public Choice: Analytical Perspectives*, McGraw Hill Book Company, Berkshire, England, 1992

Head, John G. *Public Goods and Public Welfare*, Duke University Press, Durham, 1974.

Mueller, Dennis *Public Choice II: A Revised edition of Public Choice*, Cambridge University Press, 1989.

Ng Y. K. *Welfare Economics: Introduction and Development of Basic Concepts* Macmillan, New York, 1979.

The assigned reading for the various topics can be found under the sub-heading {Handouts} under the unit code BEA300 on the unit WebCt page. A copy of the material or the book will be placed in the Reserve Section of the Morris Miller Library.

On some occasions I may make available lecture notes that I have written on various topics. They will be made available under the sub-heading {handouts} on the unit WebCT page.

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 'Microeconomic Theory & Policy' 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.

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

Teaching arrangements

Two lectures per week, One workshop per week starting the second week of the semester.

The lectures meet at 12noon on Monday in Lecture 3 Commerce and 12.00noon on Wednesday in Lecture Theatre 3 Commerce. There is a weekly workshop at 1.10 pm on Wednesday in Lecture Theatre 3 Commerce.

Unit Schedule

Unit Objective	How this is assessed
<p>A To introduce students to the key concepts of microeconomic policy.</p> <ul style="list-style-type: none"> • Economic efficiency • Pareto optimality • First fundamental welfare theorem • Compensation criteria • public goods • externalities • market failure • government failure • uncertainty • second-best theorem • excess burden • horizontal equity 	Question on in-class tests and the final examination.
<p>B Students should understand how individuals, in an attempt to maximise their own interest, create a set of institutions which structure their daily life and promote economic welfare.</p>	Question on in-class tests and the final examination.
<p>C Students should understand the rationale for government intervention</p>	Question on in-class tests and the final examination.

Unit Objective	How this is assessed
D Students should understand that market failure does not provide sufficient or necessary grounds for government intervention.	Question on in-class tests and the final examination.
E Students should understand why governments fail	Question on in-class tests and the final examination.
F Students should understand the basic principles of designing a fair and efficient tax system.	Question on in-class tests and the final examination.

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

You will be graded on two in-class exams and the final exam. Each in-class exam will count for 20% of your grade. The final exam covering the entire unit accounts for 60% of your grade.

In-class Examinations: The tests will be held in the following teaching weeks and are scheduled for the Wednesday two-hour time slot. Each exam lasts 110 minutes and covers the concepts and issues covered in the preceding weeks of the unit. As the time comes closer to the exam, I will spend some time in a lecture or workshop informing you of the material that I expect you to have mastered.

Examination	Teaching Week Beginning
1	April 14 (week 8)
2	May 19 (week 12)

Exercises:

Exercises will be assigned regularly throughout the semester. The exercises will be placed on the network. Although there is no mark for the exercises I strongly urge you to resist the temptation to shirk. The exercises are designed to enhance your understanding of the material and as such form a critical component of your preparation for the various examinations. It is my experience that students who have not attended/ participated in the workshops really struggle with this unit.

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/>

Your contact Librarian 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

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 within the School of Economics, then contact the Ombusperson:

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

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.

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>