# Microeconomics 2

**Mode of Delivery**

On campus. Three one-hour lectures and a one-hour tutorial per week. The lectures and tutorials will be recorded and the powerpoint slides placed on Wattle after each lecture. Attendance at lectures and tutorials is expected. Students are responsible for all material and announcements they miss through absence.

**Tutorial enrolment**

Tutorial meetings start in week 2. Tutorial enrolment will be organised through the Electronic Teaching Administrator (ETA) which can be accessed at [http://eta.fec.anu.edu.au](http://eta.fec.anu.edu.au). Starting approximately at 4pm on Tue, February 17th, and ending not beyond Week 2 of the semester, ETA tutorial enrolment for this course will be open. After that period, tutorial changes will only be considered under exceptional circumstances and must be approved by Karissa Carkeet, the course administrator. Students must attend the tutorial section that they are enrolled in.

**Prerequisites**

To enrol in this course you must have completed ECON1101 Microeconomics 1.

**Lecturer:**

Mark Harrison, Room 1023, Arndt Blg 25A.

Phone:  (02) 612 55180

Email:  mark.harrison@anu.edu

**Office hours for student consultation:**

T.B.A. on course wattle site. You are welcome to ask questions after lectures.

**Course administrator**

Karissa Carkeet, Room 1013, Arndt Blg, 25A.

Phone:  (02) 612 50384

Email:  karissa.carkeet@anu.edu

**Lecture times:**

- Monday 11am-12 Copland Theatre
- Thursday 10 am - 11 Copland Theatre
- Friday 12-1 pm Copland Theatre
COURSE OVERVIEW

Course Description
Building upon material introduced in Microeconomics 1, this course aims to provide a solid understanding of basic microeconomic theory and the ability to apply those tools and ideas. Models describing the economic behaviour of individual decision-makers and the outcomes of markets are developed and applied to examine the welfare of market participants. Questions addressed include: What influences consumer demand decisions and how? How do firms decide on how much to produce and how much inputs to use? How do prices function to coordinate economic activity? What is meant by economic efficiency? When do markets fail to achieve efficient outcomes? Training in economic analysis is achieved via weekly tutorials that go over problem sets linked to material presented in the previous week of lectures. An analytical approach is taken, emphasising rigorous logical reasoning, economic intuition, applications of micro-economic analysis to the real world, and the use of economic concepts to solve problems and illuminate public policy issues. Different parts of the course are inter-related and it is important to work steadily throughout the semester. Later parts of the course build on previous material.

Learning Outcomes
Modern economics is a powerful tool for understanding human behaviour. The main objective of this course is to train you in the economic way of thinking and to teach you the analytical core of economics. That core is price theory, the analysis of why things cost what they do and of how prices function to co-ordinate economic activity. Microeconomics 2 will reinforce and extend the material in Microeconomics 1. Another objective is to give you a flavour of the wide range of social phenomena that economics can help us understand. Students who successfully complete this course should be able to:
• describe the main microeconomic/neoclassical theory of consumer and producer behaviour
• apply economic concepts to solve for choices made by consumers and producers
• assess the economic efficiency of market outcomes for different market structures, in the presence of externalities, and/or when influenced by government intervention
• compare and contrast the information needed for markets or for the government to allocate resources efficiently

Prescribed Text
The textbook for the course is Steven Landsburg Price theory and applications 9th edition, 2013. Cengage. ISBN –13:9781285423524. It is available in hardback at the ANU campus bookshop or as an ebook from the cengage web site.

Supplementary reading may be set for some topics, and will be posted on the course wattle site. Some will come from a useful alternative textbook: Price Theory: An Intermediate Text by David D. Friedman. It is webbed at http://www.daviddfriedman.com/Academic/Price_Theory/PThy_Toc.html and a pdf is available at http://www.daviddfriedman.com/Academic/Price_Theory/Price20Theory-20D.%20Friedman.pdf

For those who want to do some additional reading for fun, The Armchair Economist: Economics and Everyday Life by Steven Landsburg is a thoroughly entertaining exposition and application of economic principles and concepts. A new, updated edition was released last year.

The course handouts and tutorial assignments can be found at the Wattle site for ECON2101. All students formally enrolled in this course or ECON2111 should have access to this site and should check it at least once a week.
How to learn the material

To learn the material, it is necessary but not sufficient to attend lectures regularly and do the assigned readings. You are expected to read the set reading from the textbook. Readings will be announced in advance and a quick read of those pages before the lecture will have a high payoff.

The lectures and tutorials differ from the textbook. Students do best if they attend lectures and take careful notes and learn to draw the diagrams, not by flipping over copies of the lecture slides.

As indicated earlier, a crucial component of the course is the ability to analyze a situation using microeconomic tools. Learning-by-doing is the best way to achieve this ability which is fostered by doing the tutorial problems before attending the tutorial. Doing the tutorial problems each week is a key part of the learning process. You can only learn the economic way of thinking by applying your economics to analyse problems. The final exam questions will be tutorial style problems. You will only learn problem solving skills (necessary to pass the exams) through practice, NOT by simply copying down the answers given in tutorials. Questions at the end of each chapter in the text provide additional practice in problem solving.

Asking questions in tutorial is encouraged. Tutors are available to provide assistance in learning the material. Their consultation times will be posted on Wattle by Week 2. Tutors will not be available to a student outside tutorials unless the student attends tutorials regularly, has kept up with the reading and has attempted to solve his or her problem in writing prior to seeing the tutor. Tutors cannot make up for the lack of student effort.

Of course I will be available to answer questions about course content immediately after lectures.

Workload

Students taking this course are expected to commit at least 10 hours a week to completing the work, including:

- 3 hours a week: lectures
- 1 hour a week: tutorial
- 6 hours a week: reading, research, writing and tutorial preparation

COURSE OUTLINE

A rough course outline is set out below. It includes the relevant chapters in Landsburg for each topic. A detailed outline and reading list for each topic will be placed on the course Wattle web site before the topic's lectures. Pdfs of the supplementary readings will also be placed on Wattle. The course outline is also set out week by week on Wattle.

Chapters 1, 2 and 5 in Landsburg provide a revision of Microeconomics 1 and are worth reading – but we will not cover them explicitly in class and it is assumed you know that material. In the first half of the course (weeks 1-6) we build up supply and demand analysis in a different, more rigorous and deeper way than in Microeconomics 1, which will reinforce and extend your understanding of economics and revise Microeconomics 1. You will be able to understand more and analyse more with your new tools.

1. Introduction (Week 1)
2. Consumer behaviour (Weeks 1-3)
   - Budget constraints
   - Preferences
   - Choice
   - How the consumer responds to changes in opportunities
Demand
Labour supply
Landsburg chapters 3, 4 & 16.1

3. **Producer behaviour (Weeks 4-6)**
   The firm
   Production
   Costs
   Supply by a competitive firm
   Industry supply
   Factor demand
   Landsburg chapters 6, 7 & 15

**Week 7 Mid-semester exam**

4. **Welfare economics (Weeks 8-10)**
   Measuring the gains from trade: consumer and producer surplus
   Efficiency
   Supply and demand analysis: equilibrium in competitive markets
   General equilibrium
   Landsburg chapters 8, 9.1

5. **Extensions to the basic model (Weeks 10-11)**
   Allocating goods over time: intertemporal choice
   Uncertainty
   Landsburg chapters 17 & 18.1

6. **Impediments to economic efficiency (Weeks 11-13)**
   Monopoly
   Externalities
   Public goods
   Common property
   Market power
   The prisoner’s dilemma and collusion
   Landsburg chapters 10, 13, 14 & 11

**Assessment**

Your course mark will be based on three components:

(1) **Final Exam** – 50% or 70% of course mark

The final exam will cover material presented throughout the semester and will be held during the university examination period. Whether the final exam will count 50% or 70% of your course mark is explained below under (2).

(2) **Mid-Semester Exam** – 20% or 40% of course mark

The mid-semester exam will be in Week 7. Tentatively, it will take place in Week 7 on Monday March 30 over the lecture time (but it will be two hours). It will examine material from the first five weeks of the course (including the tutorial in week 6). It will count for either 20% of your course mark with the final exam counting 70% or, for 40% with the final exam counting 50%, whatever maximises your mark.

(3) **Tutorial Quizzes** – 10% of course mark
Each tutorial (except for the last one) will have a specified short answer (10 minute) exam question on that week’s topic. Randomly, five times during the semester, your tutor will require you to write an answer to that question. They will be graded as Satisfactory (S, 2% of course mark), Unsatisfactory (U, 1%), or No Credit (NC, 0%). The best four of the five quiz marks will count (grossed up to 10% of the overall course mark). No makeup quizzes will be scheduled. The tutors will go over the answer to the tutorial exam question in the following week’s tutorial.

The final exam and mid-semester tests assess a student’s understanding and mastery of the material. The motivation behind the tutorial quizzes is to encourage students to keep up with the lectures and readings, work on the tutorial questions, and attend tutorials which are vital in succeeding in this course. They also provide practice at doing exam questions. Most students who make a serious effort to keep up with the course and prepare for tutorial should be able to answer the tutorial exam questions and can expect to achieve a Satisfactory grade for their answer.

The potential high weight on the mid-semester exam is to encourage you to work and keep up during the first half of the course. The second half of the course builds on the first half.

**Sickness**

If you suffer illness, injury or other personal difficulty during the year which affects your progress in the course, you should notify the Departmental Office immediately. Write a brief note setting down the circumstances, supported by documentary evidence (e.g. a medical certificate) and hand it to the assistant in the Departmental Office. You should also make your tutor aware of your problems.

It should be noted that a medical certificate does not automatically mean that you will be granted a special examination. Owing to past abuse, the medical certificate is only one of many factors which are taken into account when requests for special examination are considered.

**Feedback**

**Staff Feedback**

Answers to the mid-semester exam will be posted on wattle and class performance discussed.

Answers to the in tutorial exam questions will be discussed in the following tutorial.

**Student Feedback**

ANU is committed to the demonstration of educational excellence and regularly seeks feedback from students. One of the key formal ways students have to provide feedback is through Student Experience of Learning Support (SELS) surveys. The feedback given in these surveys is anonymous and provides the Colleges, University Education Committee and Academic Board with opportunities to recognise excellent teaching, and opportunities for improvement.

For more information on student surveys at ANU and reports on the feedback provided on ANU courses, go to

http://unistats.anu.edu.au/surveys/selt/students/ and

http://unistats.anu.edu.au/surveys/selt/results/learning/

**Policies**

ANU has educational policies, procedures and guidelines, which are designed to ensure that staff and students are aware of the University’s academic standards, and implement them. You can find the University’s education policies and an explanatory glossary at: http://policies.anu.edu.au/
Students are expected to have read the Student Academic Integrity Policy before the commencement of their course.

Other key policies include:
- Student Assessment (Coursework)
- Student Surveys and Evaluations

SUPPORT FOR STUDENTS
The University offers a number of support services for students. Information on these is available online from http://students.anu.edu.au/studentlife/