ECON3101
Microeconomics 3

Modern economics is a way of thinking that provides important insights into human behaviour and how the world works. The emphasis in Microeconomics 3 is on deepening students' understanding of the basic principles of microeconomics and learning how to use these principles to analyse real world problems and policy issues. The course builds upon the material covered in Microeconomics 1 and 2 by treating some of the concepts introduced in previous microeconomic courses with greater degree of formality. The course also covers more advanced tools of microeconomic theory and applications of the theory to a range of economic problems. Topics and techniques that are emphasized include: concepts and measurement of individual and aggregate consumer welfare, partial and general equilibrium efficiency analysis, choice under uncertainty and information economics.

<table>
<thead>
<tr>
<th>Mode of Delivery</th>
<th>On campus, lecture and tutorial based</th>
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<tbody>
<tr>
<td>Prerequisites</td>
<td>Completion of ECON2101/2111 Microeconomics 2 (P or H)</td>
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<tr>
<td>Incompatible Courses</td>
<td>-</td>
</tr>
<tr>
<td>Course Convener and Lecturer</td>
<td>Dr. María Racionero</td>
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<tr>
<td>Office hours for student consultation</td>
<td>Thursday 9.30-11am, or by appointment</td>
</tr>
<tr>
<td></td>
<td>Room 2010, HW Arndt Building 25a</td>
</tr>
<tr>
<td>Research Interests</td>
<td>Public Economics, Political Economy, Microeconomic Theory, Applied Microeconomics, Economics of Education</td>
</tr>
<tr>
<td>Relevant administrator</td>
<td>Karissa Carkeet / School Office</td>
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<tr>
<td>Email</td>
<td><a href="mailto:karissa.carkeet@anu.edu.au">karissa.carkeet@anu.edu.au</a> / <a href="mailto:enquiries.rse@anu.edu.au">enquiries.rse@anu.edu.au</a></td>
</tr>
<tr>
<td>Tutor</td>
<td>Omer Majeed (<a href="mailto:omer.majeed@anu.edu.au">omer.majeed@anu.edu.au</a>)</td>
</tr>
<tr>
<td></td>
<td>Further information (room, office hours, etc.) will be available in Wattle</td>
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SEMESTER 1
2015

http://programsandcourses.anu.edu.au/course/ECON3101 and Wattle
COURSE OVERVIEW

Course Description
Modern economics is a way of thinking that provides important insights into human behaviour and how the world works. The emphasis in Microeconomics 3 is on deepening students' understanding of the basic principles of microeconomics and learning how to use these principles to analyse real world problems and policy issues. The course builds upon the material covered in Microeconomics 1 and 2 by treating some of the concepts introduced in previous microeconomic courses with greater degree of formality. The course also covers more advanced tools of microeconomic theory and applications of the theory to a range of economic problems. Topics and techniques that are emphasized include: concepts and measurement of individual and aggregate consumer welfare, partial and general equilibrium efficiency analysis, choice under uncertainty and information economics.

Learning Outcomes
Upon successful completion of the requirements for this course, students should be able to:
• Think for themselves like economists, or at least understand how economists think.
• Recognise the economic issues in a problem and apply the appropriate tools to analyse it.
• Understand the economic tools taught in class and be able to apply them to analyse real world problems and policy issues.

Assessment Summary
The table below contains the proposed assessment schedule. Details about assessment may change during the first two weeks of semester. If there are any changes to the assessment schedule these will be posted in Wattle.

<table>
<thead>
<tr>
<th>Assessment item</th>
<th>Description</th>
<th>Specific requirements</th>
<th>Due date</th>
<th>Weighting (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 assignments</td>
<td>Take-home tasks to be handed in writing, involving problem-solving questions and short essays</td>
<td>Compulsory and non-redeemable</td>
<td>Weeks 4 and 10, by 4 pm on Thursday</td>
<td>5% each</td>
</tr>
<tr>
<td>Mid-semester exam</td>
<td>90 minutes with 15 minutes reading time</td>
<td>Compulsory and non-redeemable</td>
<td>Week 7</td>
<td>30%</td>
</tr>
<tr>
<td>Final examination</td>
<td>180 minutes with 30 minutes reading time</td>
<td>Compulsory and non-redeemable</td>
<td>Final examination period</td>
<td>60%</td>
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</table>

Research-Led Teaching
The course will cover recent research in the area of microeconomics. Recent papers on microeconomic topics covered in the course will be provided in Wattle, often as suggested optional readings. When feasible the main findings of those papers will be discussed in class. The lecturer in charge of this course has research interests in public economics, political economy, information economics and economics of education, and has published several papers in top international journals.

Workload
Students taking this course are expected to commit at least 10 hours a week to completing the work. This will include:
• 3 hours a week: lecture
• 1 hour a week: tutorial
At least 6 hours a week: reading, research, writing, lecture and tutorial preparation

Course delivery
The course consists of three one-hour lectures and a one-hour tutorial per week (see the timetable for details on dates, times and locations). Tutorial meetings start in week 2 (See tutorial registration details below).
- Lectures: It is expected that students attend lectures whenever possible and come prepared to them. The handouts for each topic will be available before the lectures in Wattle. The relevant references are included in the last page.
- Tutorials: It is expected that students prepare for tutorials in advance and come ready to answer questions about the problems assigned for each week's tutorial. The details about tutors (names, location, office hours, etc.) will be available in the folder “Tutors and tutorials” in Wattle.

Attendance requirements
There are no marks allocated for attendance but participation in lectures and tutorials is encouraged. As noted above it is expected that students prepare for lectures and tutorials in advance.

Tutorial registration
Enrolment in tutorials will be completed online using the Electronic Teaching Assistant (ETA) after the first lecture. More information will be available in Wattle.

Prescribed text and reference materials
Prescribed text

Recommended texts
For microeconomics:

Varian (2014a, 204b) and Perloff are later year undergraduate microeconomic texts that cover the same kind of topics and at roughly the same level as Nicholson (2012). Both Varian (2014b) and Perloff (2013) also employ calculus. Jehle and Reny (2011) is an advanced microeconomic text more suited for a first-year graduate course in microeconomics that some students might find useful for certain topics.


COURSE SCHEDULE
The table below contains the proposed course schedule. The relevant chapters from the prescribed text are listed in the table. The complete set of references, including the precise pages from each chapter that are required reading, will appear at the end of each handout. Please always check the references included in the handouts as they become available. Additional readings may be suggested throughout the semester.
<table>
<thead>
<tr>
<th>Topic</th>
<th>Title</th>
<th>References</th>
</tr>
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</table>
| 1.0   | Introduction | • Economic models  
• Review of mathematics for microeconomics | N&S Ch. 1-2 |
| 2.0   | Consumer theory | • Preferences and utility  
• Utility maximisation and choice | N&S Ch. 3-4 |
| 3.0   | Applied welfare analysis (I): Relevant concepts | • Ordinary and compensated demand curves  
• Income and substitution effects: the Slutsky equation  
• Demand elasticities: the importance of substitution effects | N&S Ch. 5 |
| 4.0   | Applied welfare analysis (II): Measuring consumer welfare changes | • CV, EV and change in consumer surplus  
• Revealed preference and price indices  
• Demand relationships among goods | N&S Ch. 5-6 |
| 5.0   | Uncertainty and risk aversion (I) | • Expected utility  
• Risk aversion  
• Insurance | N&S Ch. 7 |
| 6.0   | Uncertainty and risk aversion (II) | • The portfolio problem  
• The state-preference approach to choice under uncertainty  
• Application: Income-contingent loans to higher education | N&S Ch. 7 |
| 7.0   | Production functions | • Relevant production concepts  
• Simple production functions  
• Technical progress | N&S Ch. 9 |
| 8.0   | Cost functions and profit maximisation | • Cost functions  
• Profit maximisation  
• Discussion: Alternative theories on the nature of the firm | N&S Ch. 10-11 |
| 9.0   | Partial equilibrium | • Competitive equilibrium and CS/PS  
• Deadweight loss  
• Applications: Price controls and tax incidence | N&S Ch. 12 |
| 10.0  | General equilibrium and fundamental welfare theorems | • GE model  
• Existence of GE prices  
• First and second fundamental welfare theorems | N&S Ch. 13 |
| 11.0  | Market power | • Monopoly  
• Imperfect competition | N&S Ch. 14-15 |
| 12.0  | Asymmetric information | • Principal-agent models  
• Hidden types and non-linear pricing  
• Application: Non-linear income taxes | N&S Ch. 18 & Notes provided |

Other relevant information
- Handouts, in the form of brief PowerPoint presentations, will be provided before the lecture. Occasionally, more detailed documents will be provided for topics for which this is deemed necessary. All these documents will be available in Wattle.
• Students should note that the PowerPoint handouts are to be regarded as a guide to the referenced material. The required reading is given in the last page of each handout. Students should consult these references.
• Prescribed and recommended texts will be placed on the Reserve Collection, usually on 2-day loan (except for a copy of the prescribed text which I have requested to be placed on a 2-hour loan). A text on mathematical techniques has been included for those who might need it. It is the policy of the library to place texts on 2-day loan by default unless a high utilization rate is observed. If there is high demand for a text, it is automatically transferred to the 2-hour loan. This means that students should preferably seek these references well in advance in order to facilitate the efficient use of resources. There is a link to the Reserve Collection in Wattle.
• The lecturer’s email address is given at the beginning of this course outline but it is only to be used when you need to contact her about administrative or personal matters. It is not to be used for instructional purposes. When you have questions about the course material, please consult your regular tutor or lecturer in person.

ASSESSMENT REQUIREMENTS

Assignments tasks
The 2 assignments will consist on take-home tasks. These assignments will involve a combination of problem-solving questions and short essays, very similar to questions that can be found in examination papers. The purpose of these assignments is to provide regular feedback on how to answer questions. Students will be advised at a later date, in class and in Wattle, of the precise tasks to be fulfilled for each assignment.

Assignment submission
• Hard Copy Submission (for hand-written or typed answers to problems): Assignments must be submitted to the School Office and include a cover sheet. An assignment box for ECON3101 will be available for the submissions (assignment boxes are located on floor 1 of the HW Arndt Building 25a, opposite Room 1002). Email and fax submissions are not acceptable. Please keep a copy of the assignment for your records.
• Online Submission (for essays): Assignments are submitted using Turnitin in the course Wattle site. You will be required to electronically sign a declaration as part of the submission of your assignment. Please keep a copy of the assignment for your records.
  o The ANU is using Turnitin to enhance student citation and referencing techniques, and to assess assignment submissions as a component of the University's approach to managing Academic Integrity. For additional information regarding Turnitin please visit the ANU Online website.
  o Students may choose not to submit assessment items through Turnitin. In this instance you will be required to submit, alongside the assessment item itself, copies of all references included in the assessment item.
  o Harvard style referencing is used often for economics essays and papers.

Extensions and penalties
• Extensions and late submission of assessment pieces are covered by the Student Assessment (Coursework) Policy and Procedure.
• The Course Convener may grant extensions for assessment pieces that are not examinations or take-home examinations. If you need an extension, you must request it in writing on or before the due date. If you have documented and appropriate medical evidence that demonstrates you were not able to request an extension on or before the due date, you may be able to request it after the due date.
• No submission of assessment tasks without an extension after the due date will be permitted. If an assessment task is not submitted by the due date, a mark of 0 will be awarded.

Returning assignments
The assignments will be returned during the tutorials and/or lectures as soon as they are marked. An announcement will be made in Wattle.
Examinations

• The mid-semester exam will consist of 3 questions to be answered in 90 minutes and will take place in week 7. Students will be advised at a later date, in class and in Wattle, of the material covered in the mid-semester exam.

• The final exam will consist of 20 multiple-choice questions and 4 essay-type questions to be answered in 3 hours. The final exam will assess all material covered in the course. Note: Special and supplementary exams do not have the multiple-choice component. The special exam will consist on 6 essay-type questions to be answered in 3 hours while the supplementary exam will consist on 4 essay-type questions to be answered in 2 hours.

• The permitted materials at the examinations are non-scientific calculators. You will also be able to check the permitted materials at the examination at http://timetable.anu.edu.au/exams/ when the examination date and location will be announced.

OTHER RELEVANT INFORMATION

Announcements

Students are expected to check the Wattle site for announcements about this course, e.g. changes to timetables or notifications of cancellations. Notifications of emergency cancellations of lectures or tutorials will be posted on the door of the relevant room.

Feedback

Staff Feedback

Students will be given feedback in the following forms in this course:

• The solutions to assignments and mid-semester exams will be covered in class.
• Written comments, if relevant, will be included in the assignments returned to students.
• Verbal comments, if necessary, will be provided during consultation time.

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/