The University of Nottingham

School of Economics

Introduction to Microeconomics

Module Handout–Semester 1 2011/12

Module Code	L11100
Credits	20
Module Convenor	Dr. Camilla Jensen Room DB08 Ext. 8255 camilla.jensen@nottingham.edu.my
Lectures	Tuesday, 15.00-17.00 BA06 Thursday, 15.00-16.00 BA18
Tutorials	Ms. Kong, Yoke Fong

1 Module Aims and Learning Outcomes

There are no pre-requisites to taking this module and in particular there is no assumption of any prior knowledge of economics. For those who have taken A-level economics or any other version of economics some of the module content will *appear* familiar to you. However, the methods of analysis and the approach to teaching will quite probably be very different to anything experienced before and thus it is very important that good lecture notes are made, essays are thoughtfully written and background reading is undertaken. If not, then a degree level of understanding of the material will not be achieved.

The main aims for this module are:

To provide a sound basis in the fundamentals of micro-economics and their application to both theoretical and real world situations.

To develop analytical skills using the major methods of mathematics and diagrams.

To engender the ability to communicate and report findings, particularly via tutorial essays, presentations and exercises.

On completing this module, the following learning outcomes will have been achieved: (see skills map on the undergraduate student section on the School's Portal site)

A. Knowledge and Understanding: A1, A2, A3, A4, A5, A6

B. Intellectual Skills: B1, B2, B3, B4, B5

C. Professional / Practical Skills: C1, C2, C3

D. Transferable Skills: D1, D2.

Emphasised learning outcomes from the study of this module aresuch that students will be able to:

A1 Demonstrate a broad knowledge of core areas of economics

B3 Reason logically and work analytically

C3 Justify conclusions using economic arguments with appropriate rigour

D2 Communicate effectively

2   Teaching Methods

A range of different teaching methods are employed to develop means for students to gain an understanding of the material and that opportunities for students to show their analytical and discursive skills exist. The methods used are:

- *Three hours of Lectures per week*
These will provide the basic information in each topic area and will form the foundation for further reading and analysis on an individual basis. Lecture notes and further materials will be provided on the WebCT virtual learning environment(see below).

- *Tutorials and Essays*
Tutorials are **compulsory**. Tutors will set at least **three**pieces of work to be assessed (including essays) over the Semester with additional tutorial work and/or exercises where necessary. Particular attention is paid to essays - tutors will guide students on style, content and analysis to ensure that the student's understanding is good thus providing **personal feedback** on performance in readiness for the exams. Exercises and further materials will be provided on the web.The onus is on students to provide the input in tutorials and more can be found on WebCT in the study skills section of the **Pathway2Study** module and in the study skills seminars the School is running.

- *Background Reading*
While lectures will cover a great deal of material, it is essential that students read around and beyond the material presented there. This again ensures a solid basis is built up for the material covered in Years Two and Three. Getting into the *habit* of doing background reading is vital and the earlier this can be achieved the better.

- *Exams*
There are two **compulsory**elements to the assessment for the module:

> A 45 minute on-line assessment to be held on **Tuesday16th November** (30% of the assessment for the module)
> A 90 minuteunseen written examination to be held in January (70% of the assessment for the module)

Section 6 provides feedback on last year's paper.

- *WebCT*
This is a means of drawing together all the materials for the module into one web page along with opportunities for discussion of work amongst students and for messages and discussion topics to be passed around the group. All the tutorial work can be found on there along with extra materials and reading for each section. It can be accessed either under your My Module tab in the Portal or directly at:
http://webct.nottingham.ac.uk/webct/entryPage.dowebct

EUREKA is a piece of software which allows you to pose questions and get responses from your peers and sometimes from me about the module and the work therein. A link can be found on the home page for the module in WebCT. Please use this as an extra resource. I will take any questions e-mailed to me and answer them on EUREKA so everyone can share the information.

3   Reading Material

The reading list this year focuses on one core text and two supplementary texts. The module will draw mostly on the following text:

Morgan, C.W., Katz, M.L. and Rosen, H.S. (2009), *Microeconomics*, second edition; McGraw-Hill (referred to as MKR in the reading list)

There is a website to support this with free interactive resources at:
www.mcgraw-hill.co.uk/textbooks/morganand   simply   click   on   "student   edition"

For those wishing to take a more mathematical route through the material:

Nicholson, W. (2005), *Microeconomic Theory*, Dryden Press 9e (referred to as N in the reading list)

Finally, for those with no prior experience of economics, the following will be a good starting point before reading the other texts:

Begg, D., Fischer, S. and Dornbusch, R. (2005), *Economics*, 8e McGraw-Hill (referred to as BDF in the reading list)

References for each will be given in each section of the module along with any relevant journal articles, newspaper cuttings or periodical pieces. It is essential that students read as widely, and deeply, as possible for all modules including this one.There exists a wide range of textbooks to which you may refer with the proviso that they are not the texts used at A-level (such as Nevin, Stanlake, Harvey, KeyNotes etc.). Students are also strongly encouraged to read beyond textbooks. In particular, journals such as *The Economist*, and newspapers such as *The Financial Times* will form an essential part of the broadening of student horizons.

In addition a number of texts exist to help you develop your writing skills including:

Barrass, R. (1995) *Students Must Write,*Routledge.
Cottrell, S. (2005) *Critical Thinking Skills*, Palgrave Study Guides
Greetham, B. (2001) *How to Write Better Essays*, Palgrave Study Guides
Neugeboren, R. (2005) *The Student's Guide to Writing Economics*, Routledge.
Phelan, P. and Reynolds, P. (1996) *Argument and Evidence: Critical analysis for the social sciences*, Routledge

Further, in WebCT there are modules available to support your study called **Pathway2Study** which will be of great help in researching, structuring and writing your essays. Details can be found when you login to WebCT.

4   Plagiarism

Students are reminded that plagiarism is a very serious academic offence and that they should refer back to their booklet *Undergraduate Student Handbook* for confirmation of what it is and the penalties for committing it. Students are further reminded that they have signed a declaration acknowledging that they understand the nature of the offence and the attendant penalties.

5   Module Outline

Section One: Introduction

> Introduction to the module including to WebCT and the resources available
> Introduction to microeconomics

Section Two: Consumer Theory

> Assumptions/axioms
> Indifference curves
> Budget constraints
> Lagrange multipliers
> Price and income changes
> Elasticity

Section Three: Consumer Welfare and the Household as Supplier

> Income and substitution effects
> Compensating and equivalent variations
> Consumer surplus
> Labour supply curve
> Dynamic consumption

Section Four: The Firm's Supply

> Profit maximisation
> Production function/LDMR
> Isoquants/MRTS
> Returns to scale
> Costs defined

Section Five: Perfectly Competitive Markets

> Shut-down rule
> Short-run supply curve
> Factor demand
> Assumptions of the model
> Long run equilibrium
> Monopolistic competition model

Section Six: Imperfectly Competitive Markets

> The model of monopoly
> Regulation of monopoly
> Price discrimination
> Introduction to oligopoly (Cournot and Bertrand models)
> Prisoner's dilemma

Section Seven: Market Failure

> Asymmetric informationand moral hazard
> Insurance markets
> Externalities
> Public goods

Week Commencing	Lectures and Content	Reading MKR	Tutorials
26th September Week 1	**Section One** 1: Introduction to the module 2: Introduction to economics **Section Two** 3: Utility theory and axioms	Chapter 1 Chapter 2 (2.1 & 2.2)	
3rd October Week 2	4: Indifference curves and budget constraints 5. Constrained optimisation of choice 6. Price and income changes	Chapter 2 (2.3 & 2.4) Chapter 3 (3.1) Chapter 3 (3.3)	
10th October Week 3	7. Elasticity **Section Three** 8. Compensating and Equivalent Variation 9. Consumer surplus	Chapter 3A Chapter 4 (4.2 & 4.3) Chapter 4 (4.4)	Tutorial 1
17th October Week 4	10. Labour supply 11. Dynamic consumption **Section Four** 12. Short-run production	Chapter 5 (5.1) Chapter 5 (5.2 & 5.3) Chapter 8 (8.1 & 8.2)	Tutorial 2
24th October Week 5	13. Short-run costs 14. Short-run supply curve 15. Long-run production	Chapter 9 (9.1) Chapter 10 (10.1) Chapter 8 (8.2)	Tutorial 3
31st October Week 6	16. Optimisation of factor use and long-run costs 17. Markets Example of mid-term exam given Thursday	Chapter 9 (9.2) & 9A Chapter 11 (11.1)	Tutorial 4
8th November Week 7	**Section Five** 18. Assumptions and short run 19. Long run and violations of assumptions 20. Introduction to mid-term test	Chapter 11 (11.1) Chapter 11 (11.2)	
14th November Week 8	Mid-term test Tuesday 15th November Feedback is given on Thursday 17th NOV		Tutorial 5
21st November Week 9	21. Monopolistic competition **Section Six** 22. Monopoly model 23. Regulation and price discrimination	Chapter 14 (14.2) Chapter 13 (13.1 & 2) Chapter 13 (13.3 & 4)	
29th November Week 10	24. Cournot model 25. Bertrand and prisoners' dilemma **Section Seven** 26. Asymmetric information and moral hazard	Chapter 15 (15.1) Chapter 15.2 & 16 Chapter 17	
5th December Week 11	27. Externalities 28 Public Goods and summary/revision hints Repetition and overview given Thursday	Chapter 18 (18.1 & 2) Chapter 18 (18.3)	Tutorial 6
12th December Week 12			Tutorial 7

Section One

Introduction

Aims:
- to provide a brief introduction to the discipline of economics
- to emphasise the fundamental principles of economic theory
- to begin to engender critical thought and analysis of economics

The simple fact that our wants and desires can never be fulfilled entirely, due to the limited availability of resources, implies that choices have to be made and some desires foregone. The essence of economics, in broad terms, is the study of how these choices are made and the "real" valuation of those choices.This module will seek to provide the basis of the techniques that microeconomists use to analyse individual, firm and market behaviour. Crucial concepts which underpin economic analysis include: **opportunity cost, assumption making, model building** and **positive** as opposed to normative valuation. The real *skills* of the economist lie, however, in the ability to take these techniques and use them to analyse particular problems, using market analysis as a basis. The discipline is therefore not one of simply being able to draw a diagram of equilibrium but more about explaining how it is arrived at and how a market agent may react to such a position. Analysis is based on (and derives its robustness from) underlying techniques. This must be borne in mind during this module. Above all, this introductory section of the module stresses the way of thinking or approach that an economist brings to problem solving. Throughout the degree, this approach does not change and ultimately it is the ability to analyse that distinguishes the economist from the descriptive journalist.

Alternative Reading
BDF (1 and 2)   N (1)

For later sections, you will need to read the introductions and guides which will be found on the WebCT site before the relevant lectures.