

## COURSE OUTLINE

**ECON1101 Microeconomics 1  
and  
ECON7073 Microeconomic Principles for Economic Policy**

**School of Economics**

**College of Business and Economics**

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**Course Description** Economics studies allocation of scarce resources in the human society. In Microeconomics we study this problem from the individual level. We examine how individual consumers and individual firms make optimal decisions by weighing up costs and benefits, and how the interactions among consumers and firms lead to market and social outcomes. We will see different outcomes come from not only different market structures, such as perfect competition and monopoly, but also different natures of goods, such as public goods and common resources. We will learn a benchmark which allows us to measure the outcomes. When the outcomes are not “satisfactory”, we discuss at length government policies like taxes, subsidies, tariffs, and trade quotas that can be used to improve them.

**Learning Outcomes** On satisfying the requirements for this course, students will have the knowledge and skills to:

- understand economic policy debates as presented in the media
- think as an economist
- present clearly written analysis of economic issues and problems

**Lecturer**

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**Course Administrator**

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- Course Textbook** Hubbard, Glenn, Anne Garnett, Philip Lewis and Anthony O'Brien (2008), *Microeconomics*, Pearson Education Australia. A limited number of copies will be available through short-loan in the Chifley Library.
- WebCT** Announcements about lectures, exams and other course administration matters.
- Lectures** 10am – 11am in Manning Clark Theatre 2 on Tuesday, Wednesday and Thursday of each of the 13 teaching weeks. Lecture Outlines will be posted on WebCT before the lecture. You may find it useful to bring a printout of the outline to each lecture to the basis of your own notes. Audio recordings of lectures will be available through WebCT.
- Tutorials** Tutorials will start in Week 2. Enrol on-line at <http://eta.fec.anu.edu.au>.
- The enrolment can be varied online during the first two weeks of the semester. After that any student wishing to change tutorial times must see the Course Administrator. Tutorial questions will be posted on WebCT. You should do the recommended reading and answers to the questions attending tutorial. You may be asked to explain your answers during the tutorial. You will have the opportunity to ask your tutor to explain material that you do not understand. Preparing written answers and participating in tutorial is the most effective way of learning the course material and starting to think as a (micro) economist.
- Own Study** University study requires at least as much time and effort as a full-time job. You should expect to put in at least 6 hours per week of your own study time for this course in addition to the 4 hours of lectures and tutorials. Discussion with fellow students can be extremely valuable. But all written work for assessment must be your own original work.
- On-line Learning** If you buy the textbook you will find an access code to online resources which allow you to chapter explanations. These quizzes are for your own enlightenment and are not part of the course assessment. For students who do not buy the textbook, a default access code will be issued. This will allow access to quizzes and answers, but not to the chapter by chapter content of the textbook.
- Consultation Hours** The lecturer will be available for consultation in Arndt 2014 12pm-2pm on Thursdays. Each tutor will also hold a 2-hour consultation each week in his / her office. Please note that administrative matters should be dealt with by the Course

Administrator; and course content problems should be dealt with first by consulting your tutor and then the Help Desk.

**Assessment** There will be three compulsory assessments:

**1. Quizzes (20%)**

Two 30-minute quizzes will be held in lectures during Week 4 and Week 10 covering questions set for tutorial exercises in the previous 2 weeks.

**2. Mid-term Exam (20% or 30%)**

A mid-term exam will be held during Week 7 (August 31-September 4). Details will be announced in lectures and posted on WebCT by the end of Week 4. The examinable material will be all that is covered in the lecture outline up to and inclusive of Week 6.

**3. Final Exam (60% or 50%)**

The final exam will be held in the exam period (5-21 November). Details will be posted on the ANU exam timetable site. Examinable material will be everything covered in the Course Outline and in lectures, including material already covered in the mid-term exam.

**Course Mark**

The final mark for the course will be weighted as indicated above, subject to possible scaling of marks for the whole class. The mid-term exam is partially redeemable against the final exam. If your mid-term mark is less than your final exam mark, the respective weights will be 20% and 60%; if your mid-term mark is higher the weights will be 30% and 50%.

**Special Exams, Special Consideration, Supplementary Exams, Academic Honesty, etc.**

The university has rules dealing with situations where you are unable to attend or complete assessments to the best of your abilities due to accident, illness etc. **It is your responsibility to familiarise yourself with the rules** with regard to special examinations, special consideration and supplementary exams under General Policies. These rules are summarised in the document entitled 'General Information for Enrolled Students' which you will find on WebCT under 'Course Guide / Outline'. Clarification can be obtained from the College Student Administration Office on the first floor of the Copland Building Requests for Special Exams must be made to the College Student Administration Office. Requests for Special Consideration should be made to the School of Economics. The university has strict rules in relation to academic honesty. The underlying principle is that all work submitted for assessment (essays, exams etc) should be your own original work. You should consult the site for ANU's policies and advice on how you can avoid cheating and plagiarism.

**PRELIMINARY COURSE LECTURE OUTLINE**

The numbering is an approximate guide to the week in which material will be presented. More detailed outlines of each lecture will be posted on WebCT by the end of the previous week.

The Chapter numbers refer to the textbook by Hubbard et al.

**WEEK 1. Basic economic principles (Ch. 1)**

- introducing economics
- individual optimization: weighing up costs and benefits
- the principle of opportunity cost
- making decisions at the margin
- using graphs to clarify our thinking

**WEEK 2. Production and Trade (Ch. 2)**

- the production possibility frontier
- benefits from trade
- absolute and comparative advantage

**WEEKS 3-4. Supply and Demand (Ch. 3, 4 & 5)**

- what affects supply and demand curves?
- is demand changing or is supply changing?
- Three Steps to Heaven
- elasticities
- price controls and black markets
- the impact of taxes and controls on market price and quantity
- income distribution: who bears the burden of the taxes?

**WEEK 5. Consumer Choice (Ch. 6)**

- utility: total and marginal
- equalising marginal utility per dollar
- normal, luxury and 'Giffen' goods
- revealed preference
- social and psychological influences on consumer decisions

**WEEK 6. Production technologies and competitive markets** (Ch. 7 & 8)

- diminishing returns to single factors
- economies and diseconomies of scale
- conditions for 'perfect competition'
- competitive supply
- welfare implications of competitive markets – efficiency and equity

**WEEKS 7-8. Non-competitive markets** (Ch. 9-11)

- economies of scale
- product differentiation
- barriers to entry
- pure monopoly
- monopolistic competition
- competition between a few
- game theory

**WEEK 9. Externalities and the environment** (Ch. 15)

- positive and negative externalities
- private or government solutions
- the economics of an emissions trading scheme

**WEEK 10. Asymmetric Information** (Ch. 14)

- the market for lemons
- employment contracts
- solutions to information problems

**WEEK 11. Income distribution and social policy** (Ch. 16)

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**WEEK 12. International Trade** (Ch. 13)

- comparative advantage, static and dynamic
- winners and losers
- tariffs and subsidies

**WEEK 13. Summary and Revision**