

# Department of Economics

## EC1000 Microeconomics

### MODULE INFORMATION

|                |         |                |      |
|----------------|---------|----------------|------|
| Academic Year: | 2008-09 | Lectures:      | 20   |
| Year:          | 1       | Tutorials:     | 4    |
| Credits:       | 20      | Classes:       | 5    |
| Semester:      | 1       | Private Study: | 121¾ |
|                |         | Total Hours    | 150¾ |

Module Web Page: <http://www.le.ac.uk/economics/teach/ec1000/ec1000.html>  
(campus only)

### MODULE LECTURER

|               |                           |        |                  |
|---------------|---------------------------|--------|------------------|
| Lecturer:     | Professor Gianni De Fraja | Room:  | Astley Clarke106 |
| Telephone:    | (252)2887                 | Email: | defraja@le.ac.uk |
| Office Hours: | by appointment            |        |                  |

Lecturer's Web Page: <http://www.le.ac.uk/economics/gdf4>.

## MODULE AIMS

### ***Main Purpose:***

This module aims to develop students' understanding of the market. This is based on elementary microeconomic analysis and its application to the world of individuals, household and producers behaviour. Microeconomics studies how individuals as consumers of goods and services and suppliers of inputs – such as labour and capital – to firms interact through the market place with firms as producers of goods and services and hirers of productive inputs. We will examine economists' views of what motivates individuals and how they respond to incentives. This will include an examination of (i) individuals as consumers of goods and services and as suppliers of labour, (ii) firms and their production decisions, and (iii) markets for goods and services and productive inputs. Emphasis will be placed upon the rationale for and the impact of government intervention in markets.

### ***Expected Learning Outcomes:***

1. An understanding of the foundations of the analysis of economic agents' behaviour and the public policy which affect them.
2. Knowledge of the elements of economic environments - constraints, objectives and incentives – and of how these elements can be combined in specific instances to provide microeconomic “models” which explain economic phenomena.
3. The understanding, at an introductory but formal level, of the many concepts – such as consumer, firm, market, elasticity, partial and general equilibrium and welfare –comprising the microeconomist's toolkit.
4. Knowledge of simple policy tools (e.g., taxes, subsidies and direct quantitative controls) available to governments and other regulatory authorities, the contexts in which they might be deployed and their likely consequences.
5. The ability to distinguish between perfectly competitive and imperfectly competitive markets and, where relevant and depending on the context, to be able to specify appropriate policy intervention in such markets.
6. The ability to apply verbal reasoning, and diagrammatic analysis, and of some elements of elementary algebra and elementary calculus, to making deductions in simple economic contexts.
7. Knowledge of an interactive computer package for supported self-learning.
8. The development of report-writing and presentational skills via assignments and tutorials.
9. The ability to undertake unsupervised independent work to a fixed deadline.
10. Experience of collaborative group-working in tutorial work.

All of these outcomes are important in providing a foundation for fulfilling the academic objectives of the Economics and Business Economics degrees. Outcomes (6), (8), (9) and (10) involve the development of valuable transferable skills that subsequent years of the degree will build upon and which will be of general use in a professional context after graduation.

## MODULE DELIVERY

### ***Lectures:***

***Please check the timetable on the Module Web Page:***  
<http://www.le.ac.uk/economics/teach/ec1000/ec1000.html> .

## ***Classes/Seminars:***

Arrangements for tutorials and classes are posted on the notice board in the Concourse on the 1st floor of the Astley Clarke Building. A list of office hours of each tutor is also shown there. Queries and problems about these arrangements should be addressed to the Year 1 secretary in room 1.

All students are required to attend a weekly tutorial or class in economics. Tutorials are smaller groups and will alternate with classes which are larger (two tutorial groups form one class: this is due to the constraints on room availability). **Attendance at tutorials and classes is obligatory.** Any failure to attend classes and/or tutorials will be followed up by tutors and could lead to disciplinary action being taken. If you are likely to be absent from any tutorial or class, for whatever reason, you are advised to discuss this with your tutor, preferably before the class or as soon as possible after it has taken place if it is not possible to see your tutor beforehand. If you are ill, as soon as possible you should let your tutor know either by e-mail or by leaving a note for him/her in the posting box in room 2 (AC Building). If your illness extends for more than one week you should submit a medical certificate to your personal tutor.

## **Department of Economics student record system:**

Attendance at tutorials and classes is monitored and recorded in the Department's record system, together with marks for coursework. This information may be used in references written for you by members of the academic staff of the Department

## ***Advice on private study:***

This is a long and difficult course. It is also likely to be the single more important course you'll take in your degree (not because I am teaching it, but because it will constitute the foundation for all subsequent economic learning: as Mary Poppins says, "well begun, half done"). You will benefit from following these simple points.

1. **Attend the lectures.** Though I will follow very closely the book by Mankiw and Taylor, and though all my slide, and extensive sets of lecture notes will be available on the net, lectures remain a fundamental method of learning. Familiar concepts will be understood fully or will be seen from a different angle, and new concepts will be introduced, so that they will not be so new when you read the book (in addition there will be mildly hilarious jokes and dazzling video and photo displays).
2. **Prepare for the lecture.** Read the relevant book chapter before hand.
3. **Hammer the lecture in.** As soon as possible after the end of the lecture, read the chapter, and try to answer in your mind (or better still on a book) the "quick quizzes" and "questions for review". Go to the web resources and practice there.
4. **Be a good boy/girl.** Do not fall behind with the work, hand in your assignment on time, help tutors with the class work, participate and try to answer his/her questions: there will be plenty of time at the end of the class to check the state of your shoes. A useful trick is to devote fixed time slots every week (say three three-hour slots) to EC1000: put them NOW in your Blackberry.
5. **If in doubt, ask.** Ask your tutor during classes, tutorials and office hours; ask me during the lecture. If you don't understand a point, chances are many of your colleagues won't have understood it either, and you do them (and me) a favour by pointing this out.
6. **Don't panic.** As the "hitch-hiker's guide to the galaxy" says in bold friendly letters on the front.

## ASSESSMENT

The module is worth 20 credits towards your first year assessment. It will be assessed by means of a two hour written examination, taken in January 2007. The examination will be a mixture of multiple choice questions and essays (past examination papers are available on the web). Coursework (see below for more information) does not count towards the final mark, but is an essential element for credit accumulation. Failure to complete coursework satisfactorily may prevent you from obtaining the credits for this course.

### Examination:

- **The format will be the following.**
  - Two Sections
    - Section A – Multiple Choice **Answer all questions: 2/3** of the total mark.
    - Section B – Short assignment: **One out of Four** proposed questions. **1/3** of the total mark.
  - In each multiple choice question (30 of them, but see note below)
    - **Four possible answers.**
    - **3/(1.35) marks** (this is 3 divided by 1.35) for each right answer, **-1/(1.35) marks** (this is 1 negative mark divided by 1.35) for each wrong answer, and **Zero mark** if no answer is given (tip: this implies that the expected value of a random answer is equal to the value of not answering at all: on the other hand, if you are uncertain between only two or three questions, then you should randomise).
  - In each Section, the **type** of questions and the **material covered** will be the same as last year.
- **Note:** If I feel that you are “well-behaved” (ie the class tutors tell me you are doing your work, lectures are well attended and followed, you prepare well for lectures and tutorials and classes) then I may add four extra multiple choice questions. These will be “free” questions, in the sense if someone answers all 34 questions correctly, they would get 75.55 marks for the multiple choice section. The total mark is capped at 100 (ie all marks over 100 are disregarded). The total mark is also at least zero: if you get all multiple choice questions wrong, and you do poorly in the essay, you still get 0.
- **Note:** The questions in Section B in the exam, will be set assuming that lectures have been attended.

### Coursework:

All students taking EC1000 must write one essay, one short assignments and five exercise assignments over the semester. Coursework will be distributed by your tutor about two weeks in advance of the deadline, and posted on the internet at the same time. Academic tutors will be responsible for assessing pieces of work and handing them back (see below for more details). The exercise assignments will be discussed in the relevant class, and must be handed in before the beginning of the class, or as appropriate. Essays, and assignments will not be discussed in the class. In addition students must prepare for the tutorial by preparing the relevant question sheet before the tutorial. Question sheets will not be marked by the tutor, who will, however, assign a mark to your participation and involvement in the class discussion.

## TIMETABLE

**Module Web Page:** <http://www.le.ac.uk/economics/teach/ec1000/ec1000.html>

**Assignments** must be handed in advance, within the deadline set in the last column.

Note also that I anticipate not being able to fit each lecture in the appropriate slot, and therefore I have allowed some extra-time to catch up in week 8. In general the correspondence between lectures and chapters will not be exact. This is not going to be a problem.

**Exercises** will be in the form of multiple choice questions. The **short assignment** will require you to answer briefly (max 300 words) two questions. The **essay** must not be longer than 1000 words (the limit is strict). The essay title given below will be assigned by the academic tutors: approximately half the students will prepare essay (A) and the other half essay (B).

**Short assignment.** Answer briefly the following two questions (max 300 words each).

1. Evaluate the following two statements. Are they true or false? Why?
  - a. If the government taxes land, wealthy landowners will pass the tax on to their poorer tenants.
  - b. If the government tax houses, wealthy landlords will pass on the tax on their poorer tenants.
2. Suppose research showed that a region's expenditure on restaurant meals declines more during a recession than the region's expenditure on take-away food bought in supermarkets. How would you explain this?

**Essay A:** Read the article. Helen Rumbelow: "It's painful sitting in judgment on Argos chairs", *The Times*, August 4<sup>th</sup> (available also as a link from my web page). Identify the three alternative means of allocating resources that the article mentions. Provide examples (present and in recent history) of the use of the three mechanisms in the real world (ie realer than Freecycle). Discuss merits and demerits of each, and (for extra marks), write a 10 line post to Helen Rumbelow's explaining to her the drawback of her new Freecycle rule, in the last line of the article.

**Essay B:** Firms behaviour can be extremely complex, and clearly depend on the characteristics of the markets where they operate. Which economic models are best suited to capture the behaviour of firms in various economic environments?

It is a good idea to reserve library books early in order to ensure that they are available when you need them.

## READING LIST

### **Core Reading:**

**(1) The set textbook for Economics is:**

N Gregory Mankiw and Mark P. Taylor, **Economics**, 2006, Thomson. ISBN-10: 1 84480 133 0.  
Website: [http://www.thomsonlearning.co.uk/mankiw\\_taylor/index.htm](http://www.thomsonlearning.co.uk/mankiw_taylor/index.htm).

This is the only textbook which will be referred to in the lectures and classes. Nevertheless, its structure and content is pretty standard, and anyone wishing to use a different textbook will not find

the examination questions impossible. This is the European version of the US based textbook, which was adopted in the past two years; and the lectures will differ have more European examples.

The EC1000 will cover chapters 1-10, 12-18 and 21-22 of the book. The same textbook will also be used for Macroeconomics (EC1001), where all the remaining chapters will be covered. Therefore, though you can buy a Microeconomics only version, it is preferable to buy the entire book, as it covers both modules.

The book comes with substantial web based supplementary material; most of it is good-to-excellent (especially if you like spoon feeding), and I strongly advise you to familiarise yourself with this material.

### **Learning Objectives**

To help you monitor your understanding and progress through each chapter

### **Exhibit Slides**

Provided in PowerPoint, the exhibit presentation provides you with all of the tables and graphs from the main text

### **Glossary**

Glossary of key terms that appears at the end of the book provided as a PDF file

### **Multiple Choice Questions**

Test yourself, chapter by chapter

### **Advanced Critical Thinking Questions**

Short scenario related questions and answers

### **Discussion Questions**

These can be use to practice and improve your essay writing skills

### **Practice Questions**

Practical exercises for each chapter

### **Internet Activities**

Interesting activities that require internet research

I urge to make full use of these links. For example, the multiple choice questions available [http://www.thomsonlearning.co.uk/mankiw\\_taylor/students/mcqs.htm](http://www.thomsonlearning.co.uk/mankiw_taylor/students/mcqs.htm) are an excellent practice for the exams, as well as stimulating your thinking as an economist.

Further Web material is available (or will be hopefully before the lecture) on the website of this course.

## **CALCULATOR**

No calculator is needed for this course. The ability to perform mental calculations to the level obtained by the median 9 year old British child is assumed (adding and subtracting three digit numbers, multiplying two digit numbers). If you want to buy a calculator, the Department recommends that you buy a **Casio FX 82 or FX83** calculator. Note that it is the only calculator that you can use in University examinations.

## WHERE TO GO FOR HELP

Questions about course content should be raised in tutorials or at your tutor's office hour. In addition there is a **staff-student committee**, which meets twice during the term and at which general issues in relation to the course can be raised. Elections for student representatives to the committee will take place early in the first semester. Students who wish to raise general issues at the committee are encouraged to consult their representatives.

## MODULE CONTENTS

See Timetable above.

**Lectures 1-5**            **An introduction to microeconomics; the price system; demand; supply; equilibrium; elasticity.**

Mankiw, chapters 1-5.

**Lectures 6-9**            **Intervention in markets: the effects of taxes and price controls in competitive markets; efficiency of the market equilibrium; international trade.**

Mankiw, chapters 6-9.

Additional reading:

R. Ackrill, 'The Common Agricultural Policy', Economics, vol. XXVIII, part 1, Spring 1992, pp.

D. Myers 'Housing Markets & Government Policy' The Economic Review, vol. 11, no. 2, (Nov 1993), pp.

M. Gavin and P. Swann, 'The Minimum Wage Debate,' The Economic Review Vol. 9, No. 3 (Feb.,1992), pp. 2-6.

M. Burton and T. Young. 'Meat Consumption: Have Tastes Changed?' The Economic Review, Vol. 8, No. 2 (Nov. 1990), pp 7-10;

P. Geroski and S. Toker, 'What is a Good Buy?', The Economic Review Vol. 9 No. 4 (April 1992) pp 14-16;

M. Rosser. 'The demand for consumer durables.' The Economic Review, vol. 12, no. 3, (Feb, 1995) pp. 31-34.

**Lectures 10-11**        **Market failures.**

Mankiw, Chapters 10-11.

Additional reading:

A. Ingham & A. Ulph, 'Economics of Global Warming' in Economic Review, vol. 9, no. 2 (Nov 1991);

C. Redston and D. Thomas, 'The Economics of Toxic Waste' The Economic Review, Vol. 8, No. 5, pp. 11-16, May 1991;  
S. Ison & G. Hughes, 'Road Transport Congestion', The Economic Review, Vol. 11, No. 2, Nov 1993.

## **Lectures 12-17      The Supply Side. Firms and labour.**

Mankiw, Chapters 13-18.

### Additional reading:

J. Aylen, 'Cost Curves in the Steel Industry' The Economic Review Vol. 8 No. 1 (Sept. 1990) pp. 2-5;  
M. Gavin & P. Swann, 'The Economics of the Channel Tunnel', Economic Review, vol. 11, no. 3, February 1994, pp. 18-22;  
M. Chalkley, 'Understanding the price of cars', The Economic Review, Vol. 11, No. 4, pp. 15-17, 1994;  
G. Stewart, 'Cartels', The Economic Review, Vol. 12, No. 2 pp. 23-26, 1994;  
A. Hamlin, 'Variety and Competition,' The Economic Review, Vol. 10, No. 1, Sept. 1992;  
A. Baker, 'Oligopoly in the Record Industry' The Economic Review, vol. 11, no. 2, November 1993.  
M. Chalkley, 'How much do minimum wages reduce employment?', The Economic Review, Vol. 12, no. 1, (Sept, 1994), pp. 15-17, 1994;  
P. Rice, 'The changing face of the labour force in Great Britain.' The Economic Review, vol 12, no. 1, (Sept, 1994), pp 22-24.  
S. Siebert, 'The Social Chapter.'  
Part 1: Efficiency. The Economic Review, vol, 13, no. 3, (Jan, 1996), pp. 26-28.  
Part 2: Inequality. The Economic Review, vol 13, no. 4, (Apr, 1996), pp. 26-9.

## **Lectures 18-19      What next. Household decision making. Uncertainty.**

Mankiw, Chapters 21-22.

## **LAST YEAR EXAM**

Past year papers can be found on the web.