



Business School

Module Handbook 2006/07

26207

Microeconomics

Level: 5

Semester(s): 1

Credits: 20

Module Leader: Dr. Keshab Bhattarai

**This handbook is available in alternative
formats on request from the department**

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1. Welcome note and introduction

Microeconomics studies how relative prices of commodities and factors of production are determined and how they allocate scarce economic resources making it consistent to maximum of the individual and social welfare in an economy. It studies economic behaviour of individuals and firms. It shows how the demands and supplies of each commodity and market prices are consistent to preferences of individuals, technology of firms and economic policies of the government. A rational individual maximises satisfaction of consumptions of goods and services choosing optimal bundles of goods and services given his/her budget constraint. A firm maximises profit by choosing the optimal combinations of inputs allowed by a production technology. Ultimately the prices of commodities and factors of productions are determined in perfectly or imperfectly competitive markets based on the underlying demand and supply factors. Many ideas of classical economists summarised in “invisible hand” of prices and “self interest” a rational economic agent followed by derivations by Walras, Marshall, Edgeworth, Hicks, Samuelson, Nash and many other economists form the core principles of microeconomics.

The major objective of this module is to provide an introduction to the basic principles of microeconomics using constrained optimisation process both in the demand and supply sides of the market using models represented in diagrams and equations. It starts by examining the budget constraints and the role of relative prices in determining their shapes and slopes. Then will proceed on how the demand for goods and services are derived from subjective or psychological preferences of individuals match to their objective budget constraints. Income and substitution effects of changes in prices and elasticities of demand with respect of prices and income as well as the consumer surplus and welfare impacts of taxes and subsidies to individual commodities will be examined. The next section will be on production, cost minimisation and supply sides of the market. Major focus in this part will be on how firms choose optimal combinations of inputs to minimize cost or to maximize profits. The average and marginal product using a total production function along with iso-cost and iso-quant will be used to show how firms choose optimal inputs given factor prices and the underlying total, average and marginal costs functions. The second part of the module will examine price and output decisions of firms and market demand and supply under the perfectly competitive markets and imperfectly competitive markets such as duopoly, oligopoly and monopolistic competition. It will briefly introduce the strategic interdependence of firms using simple games and to the general equilibrium using Edgeworth box diagrams.

After completing this module, students will be able to analyse both the demand and supply sides of a particular commodity in a perfectly or imperfectly competitive markets and show how economic policies can influence choices of individuals and firms in these markets which can be very important in business planning by consumers or producers in the market and for further study of various topics in economics.

Students are advised to read this handbook alongside the Business School’s study skills handbook and to pay particular attention to the section on plagiarism in both handbooks.

2. Disability

If you have a disability it is imperative that you contact the Business School Disability Officers. In Hull this is Graeme Reid, g.c.reid@hull.ac.uk, Wharfe building, room 106. You should also contact your module leader, especially if your disability impacts upon your ability to cope in lectures e.g. hearing/visual impairment When you’ve made us aware of your disability the module leader will make every effort to meet your needs, wherever possible. Students with a disability are also reminded to ensure that they have registered with the University Disability office.

3. Key contacts

Dr. Keshab Bhattarai	125 Wharfe	01482-803112	K.R.Bhattarai@hull.ac.uk
Dr. Tapan Biswas	105 Wharfe	465879	T.K.Biswas@hull.ac.uk
Undergraduate office (Hull)	Esk 018	01482 463736	businessdegrees@hull.ac.uk

4. Postal address

The Business School,
University of Hull,
Hull,
HU6 7RX

5. Using your University email address

Any of the staff listed above may try and contact you via your University email address. As a result **all** students should check their University email address on a regular basis. Failure to do so will mean you miss out on important information.

Assessment:

Assessment of this module is done by three elements: (1) a mid-term test (2) a written essay of about 1500 words and (2) final exam.

1) Mid-term test will cover all the materials covered in lectures and tutorials up March 13th.

2) Write an essay in 1500 words on strengths and weaknesses of competitive markets.

Demonstrate how competitive markets generate the most efficient allocation of resources by consumers and producers in an economy using analytical tools of microeconomics for goods and factor markets. Illustrate how increased competition by deregulation one of the sectors such as energy, airlines, railways, telephone or financial institutions has generated efficiency but how the market has failed to provide sufficient amount of public goods such as education and health.

3) Final exam will be comprehensive and will cover all materials presented in lectures and tutorials.

6. Teaching sessions

Microeconomics: Lecture Plans

Week	Day	Tentative Topic for each lecture	Time	Room
1	Mon., 25 Sept.	Budget constraint (BC)	15:15	CL-LRA
1	Wed., 27 Sept.	Slope and intercepts of a BC	12:15	WI-S28
2	Mon., 2 Oct.	Preferences and feasible and infeasible choices	15:15	CL-LRA
2	Wed., 4 Oct.	Consumer Optimisation: demand	12:15	WI-S28
3	Mon., 9 Oct.	Consumer Optimisation: examples	15:15	CL-LRA
3	Wed., 11 Oct.	Substitution effect: Hicks and Slutsky	12:15	WI-S28
4	Mon., 16 Oct.	Consumer surplus	15:15	CL-LRA
4	Wed., 18 Oct.	Elasticities: own price, cross price, income	12:15	WI-S28
5	Mon., 23 Oct.	Income effect: normal, superior and inferior goods	15:15	CL-LRA
5	Wed., 25 Oct.	Production function	12:15	WI-S28
6	Mon., 30 Oct.	Iso-cost and iso quant	15:15	CL-LRA
6	Wed, 1 Nov.	Profit maximisation, cost minimisation	12:15	WI-S28
7	Mon., 6 Nov.	Average and Marginal Cost functions	15:15	CL-LRA
7	Wed., 8 Nov.	Price and output under perfect competition	12:15	WI-S28
8	Mon., 13 Nov.	Mid Term	15:15	CL-LRA
8	Wed, 15 Nov.	Monopoly	12:15	WI-S28
9	Mon., 20 Nov.	Oligopoly: duopoly	15:15	CL-LRA
9	Wed., 22 Nov.	Monopolistic competition	12:15	WI-S28
10	Mon., 27 Nov.	Strategic Choices firms: Game theory	15:15	CL-LRA
10	Wed., 29 Nov.	General Equilibrium	12:15	WI-S28
11	Mon., 4 Dec.	Welfare	15:15	CL-LRA
11	Wed., 6 Dec.	Externality	12:15	WI-S28
12	Mon., 11 Dec.	Review1 for the final exam	15:15	CL-LRA
12	Wed., 13 Dec.	Review 2 for the final exam	12:15	WI-S28

Microeconomics: Tutorial Plans

Tutorial	Day	Tentative Topic for each tutorial	Time	Room
1	Mon., 2 Oct.	Budget constraint and differentiation	13:15 14:15	WI-S24 CO-SRA
1	Tues., 3 Oct. Thurs., 5 Oct.	Budget constraint (BC)	14:15 15:15 9:15	CO-SRA CO-SRA LO-SR710
2	Mon., 9 Oct.	Income and substitution effects and elasticities	13:15 14:15	WI-S24 CO-SRA
2	Tues., 10 Oct. Thurs., 12 Oct.	income and substitution effects and elasticities	14:15 15:15 9:15	CO-SRA CO-SRA LO-SR710
3	Mon., 16 Oct.	Derivation of demand and market prices	13:15 14:15	WI-S24 CO-SRA
3	Tues., 17 Oct. Thurs., 19 Oct.	Derivation of demand and market prices	14:15 15:15 9:15	CO-SRA CO-SRA LO-SR710
4	Mon., 23 Oct.	Production and cost functions	13:15 14:15	WI-S24 CO-SRA
4	Tues., 24 Oct. Thurs., 26 Oct.	Production and cost functions	14:15 15:15 9:15	CO-SRA CO-SRA LO-SR710
5	Mon., 30 Oct.	Price and output decision under perfect competition	13:15 14:15	WI-S24 CO-SRA
5	Tues., 1 Nov. Thurs., 4 Nov..	Price and output decision under perfect competition	14:15 15:15 9:15	CO-SRA CO-SRA LO-SR710
6	Mon., 6 Nov.	Price and output under a monopoly	13:15 14:15	WI-S24 CO-SRA
6	Tues., 7 Nov. Thurs., 9 Nov..	Price and output under a monopoly	14:15 15:15 9:15	CO-SRA CO-SRA LO-SR710
7	Mon., 13 Nov.	Price and output under a duopoly	13:15 14:15	WI-S24 CO-SRA
7	Tues., 14 Nov. Thurs., 16 Nov..	Price and output under a duopoly	14:15 15:15 9:15	CO-SRA CO-SRA LO-SR710
8	Mon., 20Nov.	Game theory	13:15 14:15	WI-S24 CO-SRA
8	Tues., 21 Nov. Thurs., 23 Nov..	Game theory	14:15 15:15 9:15	CO-SRA CO-SRA LO-SR710
9	Mon., 27 Nov.	General equilibrium and welfare	13:15 14:15	WI-S24 CO-SRA
9	Tues., 28 Nov. Thurs., 30 Nov..	General equilibrium and welfare	14:15 15:15 9:15	CO-SRA CO-SRA LO-SR710
10	Mon., 4 Dec.	Externality	13:15 14:15	WI-S24 CO-SRA
10	Tues., 5 Dec. Thurs., 7 Dec..	Externality	14:15 15:15 9:15	CO-SRA CO-SRA LO-SR710

7. Student support

If you require additional module support outside of lecture/seminar/tutorial times you may make an appointment to see your tutor.

Enquiries of a general educational nature, which may range over a number of modules, should be addressed to the programme leader of your registered degree.

If you are experiencing any other problems please see your personal supervisor who may direct you to a specialist University service.

8. Attendance

The University has an Attendance Policy, which requires all students to attend all timetabled sessions for their programme of study. An attendance register will be kept for tutorial sessions and students with unauthorised absence will be subject to School and University disciplinary procedures. Students who need to be absent for a genuine reason should obtain a leave of absence form from the appropriate support office. Students who are unwell for a period of more than a few days should obtain a medical note from their doctor.

You are reminded that unauthorised absence may affect your course progress and if applicable any government funding. As a result it is important that you have read and understood the section entitled 'General Attendance' in your Business School Programme handbook.

9. Blackboard

Most of the materials relating to the lectures and tutorials will be made available to students through Blackboard 6: <http://bb6.hull.ac.uk>. Each student should familiarise with this system and check this regularly till the final exam period.

10. Personal development planning

Each student is expected to apply the materials learnt in the class room to analyse various microeconomic issues, either relating to individuals, firms or government asking questions what are the efficient allocation of resources and best choices given the constraints under existing circumstances. Extra readings and materials can be obtained upon request.

11. Study programme

It is included in a separate handbook to be distributed to each student during the first lecture.

12. Plagiarism

All work which is submitted for assessment must be your own work and appropriately referenced. Academic dishonesty is a very serious offence and will be penalised accordingly. Being found guilty of academic dishonesty may have a serious effect upon your academic progression, it may also result in a University Warning or it may result in your expulsion from the University.

It is important that you have read and thoroughly understood the section on 'Plagiarism' in your Business School Programme handbook and that you have read and understood the University Code of Practice on the Use of Unfair Means which is published on the University website.

If you are unsure about referencing or plagiarism please refer to the Business School Study Skills handbook or seek advice from your module or programme leader or the University Study Advice Centre. Students should do this before commencing work on assignments etc. Students undertaking dissertations and independent study work should bear in mind that their supervisors are not responsible for checking their work for plagiarism at this stage.

Please be aware that plagiarism is not permitted in any form of assessed work whether this be coursework, open book examinations or closed book examinations.

The plagiarism declaration on the coursework submission sheet is your personal statement that the work which you are submitting for assessment is your own.

13. Coursework submission - dates and times

The table below provides details of the **final date** and time by which work must be submitted. Students may hand in work at any time prior to these deadlines, and are encouraged not to wait until the final deadline.

Date	Time	Topic/Title	Location
November 13	15:15	Midterms Test	CL-LRA
December 4	4:00	Essay	Undergraduate Office

1) Mid-term test will cover all the materials covered in lectures and tutorials up March 13th.

2) Write an essay in 1500 words on strengths and weaknesses of competitive markets.

Demonstrate how competitive markets generate the most efficient allocation of resources by consumers and producers in an economy using analytical tools of microeconomics for goods and factor markets. Illustrate how increased competition by deregulation one of the sectors such as energy, airlines, railways, telephone or financial institutions has generated efficiency but how the market has failed to provide sufficient amount of public goods such as education and health.

3) Final exam date will be announced centrally. Consult the undergraduate office for this.

14. Coursework submission - procedure

A Business School coursework submission sheet must be attached to all coursework and must be completed legibly and in full. Coursework must be submitted by the date and time stipulated. Deadlines will be strictly adhered to. Students submitting work which is late, and who do not have mitigating circumstances approved by the Mitigating Circumstances Sub-Committee, may be awarded a mark of 0 for that late work.

15. Assessment criteria for coursework

Correctness, clarity, completeness and originality will be the basis for assessment of the course works.

16. Examinations

Examination dates are determined by the University Examination office and not the Business School. It is your responsibility to be available throughout the stipulated university examination period. Draft exam timetable arrangements are **draft** and are subject to change. **Do not** make holiday, travel or work arrangements during the examination period.

17. Group work

Students are expected to solve the tutorial problems in group and present their solutions in front of the tutors in the class room. They can approach tutors for assistance.

18. Mitigating circumstances

If you have any mitigating circumstances (for example, illness, legal, social, economic or personal problems etc.) and you believe that these will, or have already, affected your academic performance then you are advised to complete a mitigating circumstances form (available from the support offices). It is very important to submit this form **before** the examination or assessment deadline and to provide as much documentary evidence as possible to support your case e.g. medical note, police case note etc

Please note that IT problems on personal computers will not be accepted as a mitigating circumstance. All students are strongly urged to back up their work as they go along.

19. Module specification

Module rationale:

This module exists to give students knowledge, understanding and an ability to analyse the workings of the economy at the micro level. It also provides the basis for the microeconomic element of the more technically advanced module Economic Modelling.

Aims and distinctive features:

The aim of this module is to provide students with a thorough grounding in the key concepts and tools of microeconomic analysis. The module emphasises the use of diagrams and reasoning in the analysis of, and solution to, microeconomic problems affecting consumers, producers and policy-makers.

The objectives of the module are to give students

- a) Knowledge of the main issues covered in microeconomics.
- b) An introduction to the techniques (typically non-mathematical) used to analyse these issues.

For students also studying the module Economic Modelling, the module will also provide:

- c) A basis for a mathematical modelling approach to microeconomics.

Learning outcomes:

The module has the following Learning Outcomes:

- a) Use indifference curve analysis to explain the consumer's optimal consumption behaviour in the light of changes in income and relative prices;
- b) Derive ordinary and compensated demand curves using indifference curve analysis;
- c) Measure consumer welfare and the effects on welfare of changes in prices, taxes and subsidies;
- d) Use production theory to explain a firm's optimising choice of output and combination of inputs (labour and capital);
- e) Explain the effects of different market structures and organisations upon market price, profit and social welfare;
- f) Explain the concept of Pareto efficiency and the conditions under which this is achieved;
- g) Explain why markets may fail in the presence of imperfect and/or asymmetric information, and how such market failure may be averted.

Learning and teaching strategy:

The following teaching & learning strategies are used within this module:

- There will be 20 hours of lectures and 10 hours of tutorials. The lectures introduce material to the students, while the tutorials are used to check and reinforce the students' understanding of this material, in particular by going through exercises set in advance of the tutorial. Each teaching method contributes to all the learning outcomes.

Assessment strategy:

The following assessment strategies are used within this module:

- c) an assessed essay of 1500 words maximum (20%)
- a) a 2-hour unseen written examination (70%)
- b) a 45-minute multiple-choice mid-semester test (10%)

Alternative reassessment strategy:

The reassessment method for this module has been declared to differ from the original assessment mechanism as follows: Candidates failing this module will be reassessed in the failed element/s only, unless it is specifically requested otherwise, according to School policy and criteria.

Arrangements for revision and private study:

As this is a short-fat module in Semester 1, there is no formal break between teaching and examination. However, the lecture slots in week 12 will offer a surgery for students to raise revision questions and the last two tutorials will be given over to exam related issues.

Module constraints:

None

20. Reading and resources list

Pre-requisite reading

Varian Hall R. Intermediate Microeconomics - A Modern Approach, 6th edition, 2003, ISBN 0-393-92671-0

Core text(s)

Pindyck R.S. and D.L. Rubinfeld (2005) Microeconomics, 6th Edition, Pearson; ISBN 0-13-191207-0.

John Hey (2003) Intermediate Microeconomics-McGraw Hill, 0-07-710364-5.

Equivalent reading

Perloff Jeffrey M. (2007) Microeconomics, 4th Edition, Pearson ISBN: 0321-41057-2.

Mathis Stephen A and Koscianski J. (2002) Microeconomic Theory: An integrated Approach, Pearson Education, ISBN: 0-13-011418-9.

Further reading

Kreps David M (1990) A Course in Microeconomic Theory, Princeton, ISBN:0-691--04264-0.

Mascolell A, M.D.Winston and J.R.Green (1995) Microeconomic Theory, Oxford University Press.

Tirole Jean (1995) Theory of Industrial Organisation, MIT Press, ISBN: 9-780262-200714.

Journal list

Economics Letters, Applied Economics, Applied Economics Letters, Economic System Research, Journal of Development Studies, Macroeconomics Journal, National Institute's Bulletin of Economic Research, Oxford Economic Bulletin, Quarterly Bulletin of Bank of England and Yorkshire Bulletin. Construct your list of references using electronic databases such as the Econlit and the JOSTR available through the www.hull.ac.uk/lib/.

Websites

<http://www.competition-commission.org.uk/> <http://www.fairtrade.org.uk/>

<http://www.dti.gov.uk/>; <http://www.helsinki.fi/WebEc/framed.html> <http://www.google.com>.

Other Sources:

The range of references and resources available throughout the University Library is increasing constantly on a daily basis. The list above should be thought of as an opening into the literature. You are strongly encouraged to browse through the stock and to pay particular attention to the New Periodicals shelves.

21. Module evaluation

This module will be evaluated by means of the Business School module evaluation questionnaire (MEQ), which all students are required to complete at the end of the module. The results of this formal evaluation will be forwarded to student-staff committees and programme group meetings and will be used to make alterations and improvements to the delivery and content of the module next year, if these are deemed to be necessary. Additional module evaluation techniques are also employed. Issues concerning the module can be forwarded directly to the module leader or to staff student committees. You may also have the opportunity to make informal comments and suggestions concerning the module in tutorial sessions.

Module evaluation is an integral part of the School's annual reporting process, therefore, your input is highly valued and, as such, much appreciated.

22. Module review

The major focus of the module is to introduce the most important concepts in microeconomics using the simplest possible models and plenty of real world examples.

23. Module changes

Wherever possible, the module timetables and content will be delivered as outlined in this module handbook. However, at times changes do have to be made. In the event of such changes occurring, every effort will be made to re-schedule the activity, or replace it with work of an equivalent nature. It is your responsibility to keep abreast of the current information.

24. Health and safety

You are responsible for your own health and safety at all times. It is vitally important that you act sensibly and safely for both indoor and outdoor activities. You are required to follow all safety instructions and guidelines as laid down in your Business School Programme handbook.

25. Notes

e.g. Change of programme schedule, tutor group, location etc.

The module staff hope that you enjoy studying this module and that it makes a valuable educational contribution to your chosen programme.