



# **Unit Outline**

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## 1. Course Details

Course Name: Principles of Microeconomics

Course Code: 12

Course Credit: 3 Points

Contact Hours: 48

Prerequisites: Mathematics

Lecturer: Dave Jaye

Campus: Jiangnan University

Students must contact me through the Class President or Vice President

Office Hours after each class and by appointment

### Course Description and Areas of Study

Economics is a subject in which a little knowledge goes a long way. In semester one, we will focus on six parts: part one introduces students to the economist's view of the world, examines how economists approach their field of study and presents the theory of comparative advantage. Part two describes the fundamental tools of supply and demand. We develop the supply curve, the demand curve and the notion of market equilibrium, use the concept of elasticity to analyze events in three different markets and explain the effect of government. Part three extend the analysis of supply and demand using the concepts of consumer surplus and producer surplus and use the tools to question government policy. Part four explains how external effects such pollution can render market outcomes inefficient and discusses the possible public and private solutions to those inefficiencies, considers the problems that arise when goods have no market price and describes how the government raises the revenue necessary to pay for public goods. Part five examines firm behavior and industrial organizations. We discuss what to include in a firm's costs, analyzes the behavior of price-taking firms and derives the market supply curve, discusses the behavior of a firm that is the sole seller in its markets and only a few seller in market and look at behavior in a market in which many sellers offer similar but differentiated products. Part six emphasizes the link between factor prices and productivity and examines the degree of inequality.

### Unit Learning Objectives

Economics will help students understand the world in which they live, make them a more astute participant in the economy and give them a better understanding of the potential and limits of economic policy. After completion this unit, we expect to arrive the goals:

- (1) Transmitting a unique way of viewing the world that it illuminates much about the world around us.
- (2) Understanding the economic concept, tool and skill and thinking like an economist as we go about our life and make many decisions.
- (3) Designing the best plan to focus on the relationship between the scarce resources, opportunity and efficiency.
- (4) Applying economic thinking to improve the ability to analyze problems and solve problems

### **In order to pass this unit, the student should:**

- (1) Attend at least 80% of all the lectures
- (2) Complete all the assignments
- (3) Participate in the case study and discussion
- (4) Pass the final examination by attaining at least 60%
- (5) The overall minimum Unit Total mark should reach 60 in order to pass this unit

### **Workload and Contact Time:**

3 hours of face to face contact over 16 weeks of the semester. Total 48 contact hours over the course of the semester.

## **2. Study Program and Reading schedule (3 hours per week)**

| Week NO. | topic                                                                    | Chapter/s |
|----------|--------------------------------------------------------------------------|-----------|
| 1        | Introduction<br>Thinking like an economist                               | 1&2       |
| 2        | Interdependence and the Gains from Trade                                 | 3         |
| 3        | The market Forces of Supply and Demand                                   | 4         |
| 4        | Elasticity and Its Application                                           | 5         |
| 5        | Supply, Demand and Government Policies                                   | 6         |
| 6        | Consumers, Producers, and the Efficiency of Markets                      | 7         |
| 7        | Application: The Costs of Taxation                                       | 8         |
| 8        | Application: International Trade                                         | 9         |
| 9        | Externalities<br>Public Goods and Consumer Resources                     | 10&11     |
| 10       | The Costs of Production                                                  | 13        |
| 11       | Firms of Competitive Market                                              | 14        |
| 12       | Monopoly                                                                 | 15        |
| 13       | Oligopoly<br>Monopolistic Competition                                    | 16&17     |
| 14       | The Markets for the Factors of Production<br>Earnings and Discrimination | 18&19     |
| 15       | Income Inequality and Poverty                                            | 20        |
| 16       | Revision                                                                 |           |

## **3 Study Guide**

### **Part 1: Introduction**

Chapter 1: The principles of economics (reading Chapter 1, N. Gregory Mankiw, 2011)

Chapter 2: Thinking like an economist (reading Chapter 2, N. Gregory Mankiw, 2011)

Chapter 3: Interdependence and the gains from trade (reading Chapter 3, N. Gregory Mankiw, 2011)

**Learning objectives:**

**On completing part 1 you will understand:**

How economists think

The relationship between scarcity, choice and opportunity cost

The relationship between microeconomics and macroeconomics

How the relationship between economic variables can be illustrated using diagrams

The importance of comparative advantage

How to use the production possibility frontier to illustrate specialization and trade

**Part 2: Supply and Demand: How Markets Work**

Chapter 4: The market forces of supply and demand (reading Chapter 4, N. Gregory Mankiw, 2011)

Chapter 5: Elasticity and its applications (reading Chapter 5, N. Gregory Mankiw, 2011)

Chapter 6: supply, demand and government policies (reading Chapter 6, N. Gregory Mankiw, 2011)

**Learning objectives:**

**Chapter 4:**

The operation of a competitive market from both a supply and demand perspective

How to identify and distinguish between exogenous shocks and endogenous movements using the diagram

The importance of price as a mechanism for resource allocation

**Chapter 5:**

The meaning of price elasticity of demand

The relationship between total revenue and price elasticity of demand

The practical use made of this concept by business and government

The distortion of market signals of government policy

**Chapter 6:**

The market impacts of price ceilings and price floors

The sharing of tax burdens between buyers and sellers

The effect of minimum wage rates

**Part 3: Supply and Demand: Markets and Welfare**

Chapter 7: Consumers, producers, and the efficiency of markets (reading Chapter 7, N. Gregory Mankiw, 2011)

Chapter 8: Application: The costs of taxation (reading Chapter 8, N. Gregory Mankiw, 2011)

Chapter 9: Application: International Trade (reading Chapter 9, N. Gregory Mankiw, 2011)

**Learning objectives:**

**Chapter 7:**

Consumer surplus and producer surplus

The impact on social welfare of government policy

Identify the deadweight loss and its social implications

**Chapter 8:**

The deadweight loss of taxation  
The determinants of deadweight loss  
Deadweight loss and tax revenue as taxes vary

**Chapter 9:**

That welfare gains are made by international trade  
The determinates of import/export trade goods  
The welfare effects arising from tariffs and quotas

**Part 4: The Economics of the Public Sectors**

Chapter 10: Externalities (reading Chapter 10, N. Gregory Mankiw, 2011)

Chapter 11: Public goods and common resources (reading Chapter 11, N. Gregory Mankiw, 2011)

**Learning objectives:**

**Chapter 10:**

The meaning of an externality  
Why externalities can lead to market inefficiencies  
How government policies are derived to solve the problem of externalities

**Chapter 11:**

The meaning of public goods  
The meaning of common resources

**Part 5: Firm Behavior and the Organization of Industry**

Chapter 13: The costs of production (reading Chapter 13, N. Gregory Mankiw, 2011)

Chapter 14: Firms in competitive market (reading Chapter 14, N. Gregory Mankiw, 2011)

Chapter 15: Monopoly (reading Chapter 15, N. Gregory Mankiw, 2011)

Chapter 16: Oligopoly (reading Chapter 16, N. Gregory Mankiw, 2011)

**Learning objectives:**

Chapter 13:

The production function  
The relationship between diminishing marginal product and increasing marginal cost  
The costs involved in the production process  
The relationship between total, average and marginal costs  
The relationship between costs in the short run and the long run

**Chapter 14:**

The assumptions in underlying the competitive market  
The nature of the competitive market  
The profit maximizing position for the competitive firm  
Long run adjustments of the competitive firm and market

**Chapter 15:**

How a monopoly may arise  
Why a monopoly chooses to restrict output  
The social impact of monopoly  
How public policies address the problems of monopoly

**Chapter 16:**

How oligopoly can act like a monopolist

The relationship between self-interest and the prisoner's dilemma

Public policies toward oligopolies

**Chapter 17:**

The welfare implications of monopolistic competition

The effect of advertising

**Part Six: The Economics of Labor Markets**

Chapter 18: The markets for the factors of Production (reading Chapter 18, N. Gregory Mankiw, 2011)

Chapter 20: Income and poverty (reading Chapter 20, N. Gregory Mankiw, 2011)

**Learning objectives:**

**Chapter 18:**

The meaning of factors of production

The demand for and supply of Labor

How to get equilibrium in a labor market

**Chapter 20:**

How to measure inequality

Policies to reduce poverty

## 4. Prescribed Textbook

N. Gregory Mankiw, 2011, *Principles of Economics*, 6rd edition

**Study guide text:**

*Kemp, S.J., Harris, R.B., Gams, J., King, S. and Mankiw, N.G., Principles of Microeconomics Study Guide, 6rd edition, Thomson Learning, Australia.*

## 5. Assessment

**All the assignments and final examination answer sheets should be written in English.**

| Assessment Tasks: students must complete all tasks to pass the unit | Due Date                                                        | Value |
|---------------------------------------------------------------------|-----------------------------------------------------------------|-------|
| Assignment 1                                                        | Friday, Week 5                                                  | 15%   |
| Assignment 2                                                        | Friday, Week10                                                  | 15%   |
| Final Examination (tests all topics and objectives in this unit)    | Official University Examination Period<br>Usually in week 17,18 | 70%   |

## 6. Final Examination

Three hours closed book examination

The final examination will cover all the areas of this unit.

Due date: official university final examination period, usually in week 17 or 18.

Students should get 60% or more in the examination to pass the unit.

Grading Scale:

| Overall mark | Grade Scale in JNU |
|--------------|--------------------|
| 90-100%      | Excellent          |
| 80-89%       | Good               |
| 70-79%       | Medium             |
| 60-69%       | Pass               |
| 59 Below     | Fail               |