

**ECON 201**  
**MICROECONOMICS**  
**Course Outline 2005**

**TIMETABLE** Mon, Wed, Thu 11.30am-12.30pm in Rutherford House Lecture Theatre LT1,  
plus one weekly tutorial on Wednesday/Thursday.

**CO-ORDINATOR** Dr. Geoff Bertram, office RH423, telephone: 463 5814  
Email: [Geoff.Bertram@vuw.ac.nz](mailto:Geoff.Bertram@vuw.ac.nz)

**LECTURING STAFF**

Dr Geoff Bertram RH423 extension 5814  
Dr Vladimir Petkov RH311 extension 6190

**COURSE CONTENT AND OBJECTIVES.** An intermediate course in microeconomic analysis including theory and applications of consumer and producer behaviour, preliminary analysis of market structures and industrial organisation, and analysis of public goods and externalities.

The primary objective of the course is to enable students to gain a mastery of microeconomic principles and their application at intermediate level. This involves a combination of verbal exposition with diagrammatic and algebraic tools.

There is no mathematical prerequisite for the course, and students should be able to gain a pass grade on the basis of verbal and diagrammatic exposition of issues at the level of Schotter's text. Students wishing to gain good marks, however, should aim to have command also of the algebra and calculus techniques used in Schotter. You are strongly recommended to brush up your basic maths using either a simple text or the QUAN 111 course handbook. Students who have completed an introductory maths paper such as QUAN 111 or QUAN 103 will find that the skills learned there will be of value in ECON 201.

**ASSESSMENT**

Assignments	15%	
Midtrimester Test	25%	in class, Monday, 26 April
Final exam	60%	date to be announced

In the event of a student being unable to sit the test for a legitimate reason, the assessment components will be re-weighted to 20% on tutorial assignments and 80% on the final exam.

**MANDATORY COURSE REQUIREMENTS** Attendance at a minimum of seven of the ten tutorials **or** a passing grade (at least 50%) in the test. **Students who fail to fulfill the mandatory course requirements will receive an ungraded Fail for the course.**

**EXPECTED WORKLOAD** 9 hours per week including three lectures and tutorial.

**TEXTBOOK** Schotter, A., *Microeconomics: A Modern Approach*, Addison-Wesley 3<sup>rd</sup> edition 2001.

## **SUPPLEMENTARY TEXTS**

Varian, H.R., *Intermediate Microeconomics: A Modern Approach*, 6<sup>th</sup> edition, Norton 2003 provides solid exposition of basic microeconomic concepts.

Nicholson, W., *Microeconomic Theory: Basic Principles and Extensions*, South-western, 8<sup>th</sup> ed 2001 (earlier editions are fine) provides exposition of microeconomic theory with full presentation of the relevant mathematics. Students who are comfortable with maths will find this a good reference.

**ASSIGNMENTS.** Tutorial assignment work will be posted on Blackboard and available in lectures on Wednesdays. The completed assignments will be due in your tutor's box on the Mezzanine floor of Rutherford House by 10:45AM on the following Monday morning. Six of the eleven tutorial assignments will be marked, and the best five of the marked assignments will account for 15% of the final grade.

You are encouraged to discuss the assigned problems with other students. However, your written answers must be your own work. You will be penalised for turning in an assignment that is merely copied directly from that of another student.

**TUTORIAL PROGRAMME.** Tutorials meet once a week, starting in week 2. Tutorial sign-up will be on Blackboard from 1pm on Monday 21 February. Instructions will be in the announcement section of the Blackboard site.

Discussion in tutorials will cover the problems set in the weekly assignments. In addition, tutorials are a time to have additional questions and concepts clarified. Your attendance will be recorded, and unless you pass the midterm test, you must attend at least seven of the first ten tutorials to fulfil the mandatory course requirements (see above). You are expected to take an active role in tutorial discussions each week, including weeks for which the assignment is not marked. There will be no model answers provided for tutorial assignments.

**LECTURE NOTES:** Lecture notes or contents in bullet points will be provided on Blackboard. *Beware:* these will not be as complete as the notes which you will be able to take in class. You should not consider them a substitute for lecture attendance.

## **PREVIOUS YEAR'S TEST AND EXAM**

These are posted in the Course Information section of the ECON 201 Blackboard site.

## **GENERAL UNIVERSITY POLICIES AND STATUTES**

Students should familiarise themselves with the University's policies and statutes, particularly those regarding assessment and course of study requirements, and formal academic grievance procedures.

### **Class Representatives**

A class representative will be chosen by course participants at the beginning of the course. Class reps play a vital role in the University community, liaising between staff and students to represent the

interests of students to the lecturers, and liaising between VUWDSA and the class. If you are willing to put yourself forward for this position please advise the course coordinator.

### **General University Policies and Statutes**

Students should familiarise themselves with the University's policies and statutes, particularly those regarding assessment and course of study requirements, and formal academic grievance procedures.

### **Student Conduct and Staff Conduct**

The Statute on Student Conduct together with the Policy on Staff Conduct ensure that members of the University community are able to work, learn, study and participate in the academic and social aspects of the University's life in an atmosphere of safety and respect. The Statute on Student Conduct contains information on what conduct is prohibited and what steps can be taken if there is a complaint. For queries about complaint procedures under the Statute on Student Conduct, contact the Facilitator and Disputes Advisor. This Statute is available in the Faculty Student Administration Office or on the website at: [www.vuw.ac.nz/policy/StudentConduct](http://www.vuw.ac.nz/policy/StudentConduct).

The policy on Staff Conduct can be found on the VUW website at: [www.vuw.ac.nz/policy/StaffConduct](http://www.vuw.ac.nz/policy/StaffConduct).

### **Academic Grievances**

If you have any academic problems with your course you should talk to the tutor or lecturer concerned or, if you are not satisfied with the result of that meeting, see the Head of School or the Associate Dean (Students) of your Faculty. Class representatives are available to assist you with this process. If, after trying the above channels, you are still unsatisfied, formal grievance procedures can be invoked. These are set out in the Academic Grievances Policy which is published on the VUW website:

[www.vuw.ac.nz/policy/AcademicGrievances](http://www.vuw.ac.nz/policy/AcademicGrievances).

### **Academic Integrity and Plagiarism**

Academic integrity is about honesty – put simply it means **no cheating**. All members of the University community are responsible for upholding academic integrity, which means staff and students are expected to behave honestly, fairly and with respect for others at all times.

Plagiarism is a form of cheating which undermines academic integrity. Plagiarism is **prohibited** at Victoria.

The University defines plagiarism as follows:

Plagiarism is presenting someone else's work as if it were your own, whether you mean to or not.

*'Someone else's work' means anything that is not your own idea, even if it is presented in your own style. It includes material from books, journals or any other printed source, the work of other students or staff, information from the Internet, software programmes and other electronic material, designs and ideas. It also includes the organization or structuring of any such material.*

### **Plagiarism is not worth the risk.**

Any enrolled student found guilty of plagiarism will be subject to disciplinary procedures under the Statute on Student Conduct ([www.vuw.ac.nz/policy/studentconduct](http://www.vuw.ac.nz/policy/studentconduct)) and may be penalized severely. Consequences of being found guilty of plagiarism can include:

- an oral or written warning

- suspension from class or university
- cancellation of your mark for an assessment or a fail grade for the course.

*Find out more about plagiarism and how to avoid it, on the University's website at: [www.vuw.ac.nz/home/studying/plagiarism.html](http://www.vuw.ac.nz/home/studying/plagiarism.html).*

### **Students with Disabilities**

The University has a policy of reasonable accommodation of the needs of students with disabilities. The policy aims to give students with disabilities an equal opportunity with all other students to demonstrate their abilities. If you have a disability, impairment or chronic medical condition (temporary, permanent or recurring) that may impact on your ability to participate, learn and/or achieve in lectures and tutorials or in meeting the course requirements, then please contact the Course Coordinator as early in the course as possible. Alternatively you may wish to approach a Student Adviser from Disability Support Services to confidentially discuss your individual needs and the options and support that are available. Disability Support Services are located on Level 1, Robert Stout Building, or phoning 463-6070, email: [disability@vuw.ac.nz](mailto:disability@vuw.ac.nz). The name of your School's Disability Liaison Person can be obtained from the Administrative Assistant or the School Prospectus.

### **Student Support**

Staff at Victoria want students' learning experiences at the University to be positive. If your academic progress is causing you concern, please contact the relevant Course Co-ordinator, or Associate Dean who will either help you directly or put you in contact with someone who can.

The Student Services Group is also available to provide a variety of support and services. Find out more at [www.vuw.ac.nz/st\\_services/](http://www.vuw.ac.nz/st_services/) or email [student-services@vuw.ac.nz](mailto:student-services@vuw.ac.nz).

VUWSA employs two Education Coordinators who deal with academic problems and provide support, advice and advocacy services, as well as organising class representatives and faculty delegates. The Education Office is located on the ground floor, Student Union Building, phone 463 6983 or 463 6984, email [education@vuwsa.org.nz](mailto:education@vuwsa.org.nz).

## LECTURE PROGRAMME 2004

	Day/time	Topic	Lecturer	Tutorial No
<b>Block 1</b> Consumer equilibrium, constrained optimisation,	Mon 21 Feb	Introduction: Microeconomics, institutions and allocation: Schotter Ch 1	GB	
	Wed 23 Feb	Basic consumer theory: Schotter Ch 2.1 and 2.3: additivity, divisibility and convexity, budget constraint	GB	
	Thurs 24 Feb	Basic consumer theory: Schotter Ch 2.2 and 2.4-2.7 and 3.1-3.6: preferences, indifference map, MRS, constrained optimisation	GB	
	Mon 28 Feb	Basic consumer theory: Schotter Ch 3.1-3.6: constrained optimization, income and substitution effects	GB	1
	Wed 2 March	Geometry, intuition and calculus of ICC, PCC & the demand curve Schotter Ch 3.7-3.10	GB	
	Thurs 3 March	Compensated and uncompensated demand curves, Giffen goods. Schotter Ch 3.11-3.13	GB	
	Mon 7 March	Elasticity, the Slutsky equation. Schotter Ch 3.14-3.23	GB	2
	Wed 9 March	Consumer surplus, expenditure function, compensating variation. Schotter Ch 3 pp.101-120	GB	
	Thurs 10 March	Edgeworth-Bowley box, contract curve, Pareto optimality. Schotter Ch 4 pp.127-139	GB	
	<b>Block 2</b> Production theory: technology and cost	Mon 14 March	Emergence of competitive equilibrium. Schotter Ch 4 pp.139-156	GB
Wed 16 March		Technology, isoquants, MRTS. Schotter Ch 5 pp.163-174	GB	
Thurs 17 March		Time, production function, expansion path. Schotter Ch 5 pp.174-183 and Ch 6 pp.189-201	GB	
Mon 21 March		Leontief and Cobb-Douglas production functions. Schotter Ch 6 pp.201-211.	GB	4
Wed 23 March		Short-run and long run average cost. Schotter Ch 6 pp.211-225.	GB	
Thurs 24 March		Summing up to Chapter 6 of Schotter.	GB	
		<b>EASTER BREAK</b>		

**Block 3**  
Game theory, monopoly, regulation, competition

**Block 4**  
General equilibrium, externalities, factor markets

Day/time	Topic	Lecturer	Tutorial No
Mon 11 April	Schotter Ch. 7, pp. 229 – 249: game theory introduced, dominant and dominated strategies; iterated deletion of strictly dominated strategies;		5
Wed 13 April		VP	
Thurs 14 April		VP	
Friday 15 April	MID-TRIMESTER TEST at 4.30pm.		
Mon 18 April	Schotter Ch. 7, pp. 266 - 270; 273 – 277: search, games with incomplete information	VP	6
Wed 20 April	Schotter Ch 7 pp.277-282: repeated games, trigger strategies, grim strategy	VP	
Thurs 21 April	Schotter Ch 8: moral hazard, forcing contracts, principal-agent problem	VP	
Mon 25 April	Schotter Ch. 9, pp. 327 –342: monopoly, monopoly pricing, monopoly deadweight loss	VP	7
Wed 27 April	Schotter Ch. 9, pp. 342 –360: two-part tariffs, menus, price discrimination	VP	
Thurs 28 April	Schotter Ch 10 pp.367-379: natural monopoly, entry deterrence, contestability	VP	
Mon 2 May	Schotter Ch 10 pp.380-403: regulatory theory, Ramsey pricing, franchise auctions	VP	8
Wed 4 May	Schotter Ch 11 pp.407-424 and Appendix A pp.440-443: Cournot and Stackelberg	VP	
Thurs 5 May	Schotter Ch 11 pp.424-435: Bertrand, welfare implications of oligopoly	VP	
Mon 9 May	Schotter Ch 11 pp.434-440, 443-445 and Ch 12 pp.453-461: collusion, defection, entry prevention, limit pricing	VP	9
Wed 11 May	Schotter Ch 12 pp.461-477 and Ch 13 pp.483-495: perfect competition as the limiting case	VP	
Wed 11 May	Schotter Ch 12 pp.461-477 and Ch 13 pp.483-495: perfect competition as the limiting case	VP	
Thurs 12 May	Schotter Ch 13 pp.495-533: perfect competition	VP	10
Mon 16 May	Schotter Ch 14: expected utility, uncertainty and insurance	VP	
Wed 18 May	Schotter Ch 15: general equilibrium; fundamental welfare theorems	VP	
Thurs 19 May	Schotter Ch 17-18: externalities and public goods	VP	11
Mon 23 May	Schotter Ch 19 pp.695-705: competitive returns to factors of production - labour	GB	
Wed 25 May	Schotter Ch 19 pp.705-714: Competitive returns to factors of production - capital and land.	GB	
Thurs 26 May	Concluding lecture.	GB	