

Lingnan University
Department of Economics

Course Title	: Intermediate Microeconomics
Course Code	: ECO3201
Recommended Study Year	: 3 and 4
No. of Credits/Term	: 3
Mode of Tuition	: Lecture-Tutorial
Class Contact Hours	: 2-hour lecture per week 1-hour tutorial per week
Category in Major Prog.	: Major in Economics/GEB (Required Course)
Discipline	: Economics
Prerequisite(s)	: (a) ECO2101 Introduction to Economics, or (b) ECO2104 Introduction to Microeconomics and ECO2105 Introduction to Macroeconomics, or (c) BUS2105 Microeconomics for Business
Co-requisite(s)	: N/A
Exclusion(s)	: N/A
Exemption Requirement(s)	: N/A

Brief Course Description

This course provides a higher level study in microeconomics. It introduces students to modern microeconomic theory. We will begin by studying the theories of the consumer and the producer. Next we will combine both in the study of individual markets, including perfect competition and monopoly. The course will end with the analysis of some of the circumstances in which competitive markets fail to produce efficient allocations. Although the mathematical sophistication required to take this course is minimal, this is a highly analytical and rigorous course. Students will be expected to understand every step in every argument.

Aims

This course aims to:

1. deepen students' understanding of microeconomic concepts and theory beyond the introductory level and,
2. enhance students' capacity to apply theories to public policy and private decision-making problems.

Learning Outcomes (LOs)

Upon completion of the course, successful students should be able to:

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1. demonstrate an understanding of the basic concepts and theories in modern micro-economic analysis, including consumer and producer, and combine both in the study of individual markets;
2. analyse effects of microeconomic policy changes at firm, industry and individual levels; and
3. apply microeconomic theories introduced in class to the analysis of real world economic problems and phenomena.

Indicative Contents

Topic 1: Budget Constraint

Two-goods case; Budget set; How the budget line changes? The numeraire; taxes and subsidies; The food stamp programme: Shifts in budget line.

Topic 2: Preferences

Assumptions about preferences; Indifference curves; Examples of preferences; Perfect substitutes; Perfect complements; Bads; Neutral; Satiation; Discrete goods; Well-behaved preferences; The marginal rate of substitution; MRS behaviour.

Topic 3: Utility

Cardinal utility; Utility function; Marginal utility and MRS; Utility from commuting.

Topic 4: Choice

Optimal choice; Consumer demand; Perfect substitutes; Perfect complements; Discrete goods; Concave preferences; Cobb-Douglas preferences; Estimating utility functions; MRS conditions and implications; Choosing taxes.

Topic 5: Demand

Normal and inferior goods; Income offer curves and Engel curves; Perfect substitutes, Perfect complements, Cobb-Douglas preferences, Homothetic preferences, Quasi-linear preferences, Ordinary goods and Giffen goods; The Price offer curve and the demand curve; The Inverse demand functions.

Topic 6: Slutsky Equation

Substitution effects; Income effects; The total change in demand; Rates of change; The law of demand; Examples of the two effects; Compensated demand curves.

Topic 7: Consumer's Surplus

Demand for a discrete goods; Constructing utility from demand; Approximating a continuous demand; Quasilinear utility; Change in consumer surplus; Compensating and equivalent variations; Producer's surplus; Calculating gains and losses.

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Topic 8: Market Demand and Equilibrium

Discrete goods; Elasticity and demand; Elasticity and revenue; Constant elasticity demand; Elasticity and marginal revenue; Setting a price; Income elasticity; Supply; Market equilibrium; Comparative statics; An Example: Taxes; The Dead-Weight loss of a tax; Pareto efficiency.

Topic 9: Technology

Inputs and outputs; Technological constraints; Examples of technology; Fixed proportions; Marginal products; Technical rate of substitution; Diminishing marginal products; Diminishing technical rate of substitution; LR and SR; Returns to scale.

Topic 10: Profit Maximisation

Profits; Firm organisation; Fixed and variable factors; SR profit maximisation; Comparative statics; LR profit maximisation; Inverse factor demand curves; Profit maximisation and returns to scale.

Topic 11: Cost Minimisation

Minimising costs for specific technologies; Returns to scale and the cost functions; LR and SR curve; Fixed and Quasi-fixed costs; Sunk cost.

Topic 12: Cost Curves

Average costs; Marginal costs; MC and variable costs; LR costs; Plant size; LR marginal costs.

Topic 13: Firm Supply and Industry Supply

Pure competition; Supply decision of a competitive firm; Profits and producer's surplus; Industry supply; SR industry supply; Equilibrium in the SR and LR; LR supply curve; Fixed factors and economic rents.

Topic 14: Monopoly and Monopoly Behavior

Maximising profits; Linear demand and monopoly; Markup pricing; Monopoly Inefficiency; Deadweight loss; Natural monopoly; What causes monopoly. Price discrimination; Monopolistic competition; Product differentiation;

Topic 15: Oligopoly

Choosing a strategy; Quantity leadership; The follower's problem; The leader's problem; Price leadership; Comparing price and quantity leadership; Simultaneous quantity setting; Cournot equilibrium; Adjustment to equilibrium; Simultaneous price setting; Collusion; Punishment strategies.

Teaching Methods

Teaching is based on lectures combined with tutorials. Case studies, newspaper articles will

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be discussed in tutorials to help students relate the theory to real life situation. Students will be given lots of hands-on practices involving drawing of curves, diagrams and graphs and applying their knowledge to many real-world examples.

Measurement of Learning Outcomes

1. Students will have to work/research on a designated topic or on 12 individual projects including-answering tutorial and assignment questions. Their participation in tutorials will also be assessed. (LOs 1-3)
2. Mid-term tests will be administered to assess students' practical knowledge and their analytical skills in the topics they have learnt. (LOs 1-3)
3. A final exam covering all the topics taught in the course will be provided. Both short-answer and essay-typed questions will be given in the final exam to assess students' overall understanding and synthesis of knowledge and its applications in microeconomics. (LOs 1-3)

Assessment

Continuous assessment : 30%
(tutorial participation – 10%,
mid-term test – 20%)

Final examination : 70%

Good Practices

1. Newspaper articles will be discussed in tutorials to help students relate the theory to real life situation.
2. A discussion page is set up on Moodle where students could use as a platform for discussion with the instructors and amongst themselves.
3. An on-line course teaching and learning evaluation is conducted after the mid-term. This allows for early feedback from students regarding the course.
4. Students will be given lots of hands-on practices involving drawing of curves, diagrams and graphs and applying their knowledge to many real-world examples.
5. Students in this course have the opportunity to pick up both the quantitative and qualitative skills. This provides a balanced approach to studying and applying microeconomics theories and principles.

Required/Essential Reading

Varian, Hal, R. (2014), *Intermediate Microeconomics: A Modern Approach*, 9th Edition, W.W. Norton, New York.

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Recommended/Supplementary Readings

Bergstrom, Theodore C. and Hal, R. Varian (2014), *Workouts in Intermediate Microeconomics*, 9th Edition, W.W. Norton, New York.

Important Notes:

- (1) Students are expected to spend a total of 9 hours (i.e. 3 hours of class contact and 6 hours of personal study) per week to achieve the course learning outcomes.
- (2) Students shall be aware of the University regulations about dishonest practice in course work, tests and examinations, and the possible consequences as stipulated in the Regulations Governing University Examinations. In particular, plagiarism, being a kind of dishonest practice, is “the presentation of another person’s work without proper acknowledgement of the source, including exact phrases, or summarised ideas, or even footnotes/citations, whether protected by copyright or not, as the student’s own work”. Students are required to strictly follow university regulations governing academic integrity and honesty.
- (3) Students are required to submit writing assignment(s) using Turnitin.
- (4) To enhance students’ understanding of plagiarism, a mini-course “Online Tutorial on Plagiarism Awareness” is available on <http://pla.ln.edu.hk/>.
- (5) Students must adhere to the University’s guidelines and practices when using Generative Artificial Intelligence (AI) tools. The official documents “Guidelines for Using GAI Tools at Lingnan University” and “Best Practices for Ethical and Responsible Use of GAI Tools in Course Assessments” can be found here: <https://www.ln.edu.hk/tlc/generative-artificial-intelligence/gai-guidelines-best-practices>.

Assessment Rubrics

Tutorial Participation Assessment Criteria

Level of Performance	Points	Criteria
Excellent	8-10%	Presentation skills - Addresses the <u>central issue and complexities</u> of the debate - <u>Arguments</u> are clear, strong and <u>persuasive</u> with solid reasoning and adequate relevant examples and facts - <u>Critiques</u> underlying assumptions and strategies in <u>opposing arguments</u> Quality of comment - Timely and appropriate comments, <u>thoughtful and reflective</u>, responds respectfully to other student's remarks, <u>provokes questions and comments</u> Resource/Document Reference - <u>Clear reference</u> to any texts being discussed and <u>connects</u> to other texts or reference points from previous readings and discussions Active Listening - <u>Posture</u>, demeanor and behavior clearly <u>demonstrate respect</u> and <u>attentiveness</u> to others

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Good	5-7%	Presentation skills - Addresses <u>obvious issues</u> of the debate, but <u>misses complexities</u> and nuances - Consistently delivers complete arguments though some reasoning and <u>evidence</u> may be weak or <u>insufficient</u> - identifies some relevant counter-arguments Quality of comment - <u>Volunteers comments</u>, most are <u>relevant</u> and reflect some <u>thoughtfulness</u>; may or may not lead to other questions from students Resource/Document Reference - Has <u>done</u> any required reading with some thoroughness; may <u>lack some detail or critical insight</u> Active Listening - Listens to others most of the time; <u>may not stay focused</u> on other's comments or loses continuity of discussion
Poor	0-4%	Presentation skills - <u>Demonstrates misconception or incomplete understanding</u> of the important issues or themes of the debate - Arguments are not clear and convincing <u>with little reasoning or inadequate examples</u> and facts - Fails to identify relevant <u>counter-arguments</u> Quality of comment - Does not participate or occasionally participates and <u>offers a comment when directly questioned</u>, may simply restate questions or points previously raised, may <u>add nothing new</u> to the discussion or provoke no responses or question Resource/Document Reference - <u>Unable to refer</u> to any texts for evidence or support of remarks Active Listening - <u>Disrespectful</u> of others when they are speaking - <u>Ignoring</u> others' remarks

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Mid-term and Final Examinations Assessment Rubric

Level of Performance	Marks	Criteria
Very Good – Excellent	16 – 20	Thesis & Focus - Fully addresses the topic and demonstrates a <u>thorough understanding</u> of, and <u>original insight</u> into the important issues in the topic - Skillfully applies a good range of relevant concepts or theories - Connects question to broader issues in theories/concepts and the world Analysis & Argumentation - Thoroughly interprets and evaluates the information; <u>Distinguishes among fact, opinion and value judgments</u> - Comprehensively analyzes the issues from <u>multiple perspectives</u> - Evaluates <u>implications and complications</u> or responds to <u>counter-arguments</u> Evidence & Support - Evidence/supporting data is very <u>relevant, accurate, complete, well integrated</u> to support the arguments - A <u>wide range</u> of relevant scholarly sources (assigned reading, books, journals, media sources, census data, government reports) is used and assessed analytically and critically - <u>Correct citation</u> of sources; provides <u>detailed</u> and proper <u>footnotes/endnotes</u> Writing & Structure - <u>Excellent organization</u> of various contents - Presents the materials in a <u>cohesive and logical manner</u> - Appropriate <u>paraphrasing</u> and integration with original writings - Minimal <u>spelling, punctuation, and grammatical errors</u>
Fair – Good	8 – 15	Thesis & Focus - Demonstrates a complete understanding of the important issues in the topic/question but may <u>miss some minor themes</u> - Attempts to relate theories/concepts Analysis & Argumentation - Interprets and evaluates information, but may <u>overlook some information</u> - Superficially evaluates <u>obvious alternative points of view, perspectives or dimensions</u> - <u>Makes inferences</u> and comprehends deeper meaning on most occasions

		Evidence & Support - Provides necessary evidence to convince reader of most aspects of the main argument but not all - Evidence is somehow relevant and accurate, but <u>not well integrated</u> - Some variety of sources are used - <u>Correct citation</u> of sources; provides <u>some details</u> in footnotes/endnotes Writing & Structure - <u>Good organization</u> of various contents - Attempt to present the materials in a <u>cohesive and logical manner</u> - <u>Some paraphrasing</u> and integration with original writings - <u>With few spelling, punctuation, and grammatical errors</u>
Very Poor – Poor	0-7	Thesis & Focus - Demonstrates <u>misconceptions</u> about the important themes or issues - <u>Fails to connect</u> to theories/concepts or real life Analysis & Argumentation - Demonstrates some basic comprehension of texts/data but <u>does not make connections</u> with the bigger picture - <u>Lists information</u> without justification and connection to the idea - Superficially analyzes or synthesizes the issues - <u>Single perspective</u> only is discussed Evidence & Support - Some evidence but not enough to develop argument in unified way - Evidence may be <u>inaccurate, irrelevant, or inappropriate</u> to support the arguments - Uses only a <u>few or none of the sources</u> provided on the reading list, or does not analyze the sources - <u>Incorrect citation</u> of sources; provides <u>limited or no</u> detail in footnotes/endnotes Writing & Structure - Lacks clarity or does not present ideas in a coherent or analytical manner - Merely <u>copying</u> original writings - <u>Considerable number of spelling, punctuation, and grammatical errors</u>