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	:	3 hours per week
Category in Major Prog.	:	Stream Elective / Major in Economics (Required Course)
Discipline	:	Economics
Prerequisite(s)	:	(a) ECO2101 Introduction to Economics, or (b) Level 3 or above in HKDSE Economics, 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 apply the theories in real life.

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:

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.

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; Dimishing 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; Cornout 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 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 answer 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. (2019), *Intermediate Microeconomics: A Modern Approach*, 9th Edition, W.W. Norton, New York.

Recommended/Supplementary Readings

Bergstrom, Theodore C. and Hal, R. Varian (2019), *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 https://pla.ln.edu.hk/.

Asessment Rubrics

Rubric for Mid-term Test and Final Exam

	Excellent 9-10 pts	Good 7-8 pts	Average 4-6 pts	Below Par 1-3 pts	Poor 0 pts
Analysis 50%	The response has a clear thesis that is analytically interesting and creative, plausible; the analysis has impressive depth	The response meets most of the criteria listed in the column to the left, but is lacking in one or more of them-or accomplishes all of them at a slightly lower level than excellence	The response has an identifiable thesis, but it may be a bit mundane or uninteresting, and not particularly creative; the analysis is superficial	The response has an identifiable thesis, but it is not analytically interesting, plausible; there is little analysis	The response lacks any clear thesis and little to no analysis.

Documentation 30%	The response provides ample evidence in support of its thesis, with no extraneous detail; evidence is well-connected to the thesis; documentation is clear.	The response provides significant amounts of supporting evidence, well-connected to the thesis; some detail is extraneous; documentation is mostly clear.	The response provides supporting evidence, but less than is needed to make the argument; there is a significant amount of extraneous detail; documentation is incomplete or unclear.	The details of the response relate very thinly to a main argument; the evidence is poorly documented.	The response provides little to no evidence in support of a main argument; most evidence provided is undocumented.
Organization 20%	All writing relates to the thesis in a clear manner; individual paragraphs have a clear focus; there are clear transitions between paragraphs or ideas when appropriate; the order in which the ideas are presented makes sense.	Nearly all writing relates to the thesis in a clear manner; all or most individual paragraphs have a clear focus; there are generally clear transitions between paragraphs or ideas; the order in which the ideas are presented makes sense.	Most writing relates to the thesis in a clear manner, most individual paragraphs have a clear focus, and the order in which the ideas are presented generally makes sense; but there are often unclear transitions between ideas.	Most writing relates to the thesis in a clear manner, most individual paragraphs have a clear focus; it is often unclear why ideas are presented in their particular order, and there are often unclear transitions between ideas.	The response is extremely disorganized to the point that the order in which ideas are presented appears virtually random.
Language skills 10%	The writing displays excellent English language skills, with few mistakes, and is easily understandable	The writing contains several fairly minor errors, but the writing is clear and understandable	The writing contains several minor errors and/ or a few major ones; the writing is mostly clear but may be difficult to understand in places.	The writing contains numerous writing errors that are serious enough that the paper is very difficult to understand	The writing contains an unacceptably large number of writing errors, major or minor, to the point of making it difficult or impossible to understand.

Rubric for Tutorial Participation

	Excellent 9-10 pts	Good 7-8 pts	Average 4-6 pts	Below Par 1-3 pts	Poor 0 pts

Class discussion/Peer Interaction/Pair work/Presentation **50%**	Consistently, actively supports, engages, listens and responds to peers. Takes a leading role. Participates in a meaningful way in class discussions. Stays on task.	Makes an effort to interact with peers daily but does not take a leading role. Some active participation in class discussions. Sometimes deviates from task.	Some effort to interact with peers but does not take a leading role. Minimal participation in class discussions. Sometimes deviates from task	Limited interaction with peers and rarely participates in class discussions and/or does not stay on task.	Virtually no interaction with peers and does not participate in class discussions
Contributes in a Meaningful Way **50%**	Comments often advance the level and depth of classroom dialogue; elicits the contributions of others.	Relevant comments are based on assigned material; eliciting the contributions of others.	When prepared, (which is most of the time) relevant comments are based on assigned materials, without eliciting contributions of others	When prepared, some relevant comments are based on assignments, some comments not relevant and deviate from assignments	Class contributions lack relevance or without any comment.