



B.E. International Program

Faculty of Economics, Thammasat University



Course Syllabus

EE211 Principles of Microeconomics

Semester 1/2016 (August 15 – December 4, 2016)

Number of credits: 3 credits (3-0-6)

Instructor:

(Section 046401)

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Lecture Time and Venue:

(Section 046401)

Tuesdays and Thursdays,

09.30 – 11.00

Room 303 Faculty of Economics

(Section 046402)

Tuesdays and Thursdays,

09.30 – 11.00

Room 302 Faculty of Economics

Course Description:

For students who are not Economics majors) Concepts and applications of economic theories regarding fundamental economic problems, price mechanisms, the supply and demand of goods and services, basic theories of consumer behavior, production and costs, and price determination in perfect and imperfect competitive markets. Comparing market performances in resource allocation, basic theories of factor market and market failures.

Course Objectives:

After completing this course, students should have developed a range of skills enabling them to understand economic concepts and use those concepts to analyze specific questions.

By the end of this course, students should be able to:

- Understand consumer behavior.
- Understand firm behavior.
- Analyze different types of market structures (monopoly and a competitive market).
- Understand how to apply economic principles to a range of policy questions.

Students should also have the skills needed to:

- Use supply and demand diagrams to analyze the impact of overall changes in supply and demand on price and quantity.
- Calculate producer and consumer surplus.
- Solve a consumer's utility maximization problem mathematically and graphically; analyze the impact of changes in price and income on a consumer's decision via shifting income and substitution effects.
- Understand the consumer's labor supply decision.
- Solve a firm's cost minimization problem mathematically and graphically.
- Analyze the behavior of firms in a perfectly competitive market in the short-run and the long-run.
- Analyze the behavior of a monopoly and calculate the resulting changes in producer or consumer surplus.
- Understand consumer behavior under uncertainty.
- Use economic tools to analyze economic policies.

Textbooks:

Karl E. Case, Ray C. Fair, and Sharon E. Oster. *Principles of Microeconomics* plus MyEconLab with Pearson eText, Global Edition, 12/E, 2017, Pearson. (Hereafter, CFO)—*Earlier editions are applicable.*

Krugman, P. and Robin Wells, *Microeconomics*. 3rd ed. Macmillan Education, 2012. (Hereafter, KW)—*Earlier editions are applicable.*

Lipsey, R.G., C.T.S. Ragan, and P.A. Storer. *Economics*, 13th ed. Pearson Addison Wesley, 2008.

Mankiw, N.G. *Principle of Microeconomics*, 5th ed. Thompson South-Western, 2009.)—*Earlier editions are applicable.*

Note: The list is provided in alphabetical order; it does not indicate which one is preferred.

Student Resources:

Mankiw's text:

http://www.cengage.com/cgi-wadsworth/course_products_wp.pl?fid=M20b&product_isbn_issn=9780324589986&discipline_number=414

http://websites.swlearning.com/cgi-wadsworth/course_products_wp.pl?fid=M20b&product_isbn_issn=9780324589986&discipline_number=414

Other Texts & Material:

Frank, R.H. Microeconomics and Behavior. 8th ed. McGraw-Hill, 2010.

Student Resources for Frank's text:

http://highered.mcgraw-hill.com/sites/0073375942/student_view0/index.html

Pindyck, Robert S. and Rubinfeld, Daniel L., Microeconomics, (8th Ed.) New Jersey: Pearson Education, Inc., 2013.

Supplementary Reading (for fun):

Frank, Robert. *The Economic Naturalist: In Search of Explanations for Everyday Enigmas* (Paperback). Basic Books (April 7, 2008). More information about his nice writings, visit <http://www.robert-h-frank.com/links.html>

Harcourt, Tim, *The Airport Economist*, Crows Nest: Allen & Unwin, 2008.

(URL: <http://www.theairporteconomist.com/>)

Harford, Tim. *The Undercover Economist: Exposing Why the Rich Are Rich, the Poor Are Poor--and Why You Can Never Buy a Decent Used Car!* Random House Trade Paperbacks (January 30, 2007).

Levitt D. [Steven](#) and [Stephen J. Dubner](#). *Freakonomics: A Rogue Economist Explores the Hidden Side of Everything*, William Morrow; Revised & Expand, Roughcut edition, 2006.

Marshall Jevons, *Murder at the Margin*, New Jersey: Princeton University Press, 1978, 1993.

The Fatal Equilibrium, New York: Balantine Books, 1985.

A Deadly Indifference, New Jersey: Princeton University Press, 1995.

[Wheeler](#), Charles. *Naked Economics: Undressing the Dismal Science*. W. W. Norton & Company (September 2003)

Movies:

“A Beautiful Mind” Universal Studios, 2001.

“Norma Rae” Trimark, 1979, video released 2001.

“Speed” Twentieth-Century Fox, 1994.

“The Rainmaker”, Paramount 1997

“Erin Brockovich” Universal, 2000.

“Hero” Miramax, 2004.

“Day After Tomorrow”, Fox 2004.

Some Useful Links

Nobel Prize in Economic Sciences:

http://nobelprize.org/nobel_prizes/economics/shortfacts.html

Greg Mankiw’s Blog: <http://gregmankiw.blogspot.com/>

Robert H. Frank: <http://www.robert-h-frank.com/>

Hal R. Varian: <http://people.ischool.berkeley.edu/~hal/>

Krugman’s Blog: <http://krugman.blogs.nytimes.com/>

The Undercover Economist: <http://timharford.com>

The Airport Economist : <http://www.theairporeconomist.com>

The Economist Magazine: <http://www.economist.com>

Grading:

Midterm Examination	35 %
Final Examination	55 %
Homework, Quizzes, Attendance	10 %
Total	100%

Tentative class schedule

Sessions	Topics	Activities/Text & Materials/ Media
#1: Economics: The Study of Choice	- o What is Economics? - o The Basic Economic Problems - o Confronting Scarcity: Production Possibilities Curve (PPC) ▪ Assumptions ▪ An Illustration of Scarcity, Choice and Opportunity Costs Using the PPC ▪ Economic Growth and Changes in the PPC - o Economists' Tool Kit ▪ Equilibrium Analysis ▪ Comparative Static Analysis ▪ Constrained Optimization - o Methodology of Studying Economics (in Lipsey Chs.1-2) ▪ Economics as a Science ▪ How Theories are Developed ▪ Positive Vs. Normative Statements	Read: CFO, chs.1-2; Frank, ch. 1; KW, chs. 1-2; Lipsey, chs. 1-2; Mankiw, chs. 1-2
#2-#3: Demand, Supply, and Equilibrium	• Market: Meaning and Components • Demand: Buyers' Behavior - o Meaning - o Law of Demand - o Individual and Market Demands - o The Distinction of "Change in Quantity Demanded" and "Change in Demand" - o The Determinants of Demand • Supply: Sellers' Behavior - o Meaning - o Law of Supply - o Firm and Market Supplies - o The Distinction of "Change in Quantity Supplied" and "Change in Supply" - o The Determinants of Supply • Market Equilibrium: When Demand and Supply Meet - o Meaning and How to Determine the Equilibrium	Read: CFO, chs. 3-4; Mankiw, ch. 4; Lipsey, ch. 3; KW, ch. 3; Frank, chs. 2 and 4

	- o Shocking the Equilibrium and Adjustments • When demand curve shifts • When supply curve shifts • When both demand and supply curve simultaneously shift	
#4: Elasticity: A Measure of Response	• Elasticity of Demand: Meaning, Measurement and Determinants - o Price Elasticity of Demand - o Income Elasticity of Demand - o Cross Price Elasticity of Demand - o Elasticity of Supply: Meaning, Measurement and Determinants	Read: CFO, ch. 5; Mankiw, ch. 5; Lipsey, ch. 4; KW, ch. 6; Frank, chs. 2 and 4
#5: Consumers, Producers, and the Efficiency of Markets	- o Consumer Surplus ▪ Willingness to Pay (WTP) ▪ Using the Demand Curve to Measure Consumer Surplus ▪ How a Lower Price Raises Consumer Surplus ▪ What Does Consumer Surplus Measure? - o Producer Surplus ▪ Cost and the Willingness to Sell ▪ Using the Supply Curve to Measure Producer Surplus ▪ How a Higher Price Raises Producer Surplus ▪ What Does Producer Surplus Measure - o Market Efficiency	Read: Mankiw, ch. 7; Lipsey, chs. 6 and 12; KW, ch. 4; Frank, chs. 2 and 4
#6 Applications on Demand, Supply, and Government Policies	- o Government Intervention in Market Prices ▪ Ceiling Price ▪ Floor Price ▪ Effects of Taxation • A Unit Tax on Producers • A Unit Tax on Consumers ▪ Effects of Subsidy Given to Producers	Read: Ch. 4; Mankiw, ch. 6; Frank, chs. 2 and 4; KW, chs. 5 and 7; Lipsey, ch. 5
#7-#9: The Theory of Consumer Choice	- o Utility Theory (or Cardinal Approach) • The Meaning of Utility • Law of Diminishing Marginal Utility • Relationship between Total Utility and Marginal Utility	Read: CFO, ch. 6; Frank, chs. 3-4; KW, chs. 10-11; Lipsey, ch. 6 (& appendix); Mankiw, ch. 21

	• Consumers' Equilibrium (or Rational Spending Rule) and Change in Equilibrium - o Indifference Curves Theory (or Ordinal Approach) • What a Consumer Wants • The Meaning of Indifference Curve • Properties of Indifference Curve • Slope of Indifference Curve and Marginal Rate of Substitution (MRS) - o What the Consumer Can Afford • Budget Line: Meaning, Slope, and Change in Budget Line - o How the Consumer Optimally Chooses - o Consumer Equilibrium and Change in Equilibrium • Derivation of an Individual Demand Curve Using Indifference Curves and Budget Lines - o How a Consumer Responds to Change in Price: Substitution and Income Effects (Hicksian Approach) - o Applications • In Cash Vs. In Kind • Vouchers Vs. Subsidy • Work Vs. Leisure • Consume Today Vs. Consume Tomorrow	
#10-#12: Production and Cost in the Short-Run and in the Long-Run	- o Firm and the Objectives of Production - o Production Functions - o Distinction between Short-run and Long-run - o Production Function in the Short-run ▪ Total Product (TP), Average Product (AP), Marginal Product (MP) ▪ Relationship of TP, AP, and MP ▪ Law of Diminishing Returns ▪ Stage of Production - o The Meaning of Costs ▪ Economic and Accounting Costs	Production in the Short-Run Read: CFO, ch. 8; Frank, chs. 9-10; KW, ch. 12; Lipsey, ch. 7; Mankiw, ch. 13 Production in the Long-Run Read: CFO, ch. 9; Frank, chs. 9-10; KW,

	▪ Sunk Costs ▪ Private and Social Costs ○ Relationship between Costs and Production ○ Short-run Costs of Production: TFC, TVC, TC, AFC, AVC, ATC, MC, and their relationship ○ Isoquant ○ Isocost ○ Least Cost Combination ○ Expansion Path ○ The Meaning of Returns to Scale ○ Long-run Costs of Production: LTC, LAC, LMC ○ Relationship between Expansion Path and LTC ○ Relationship between Long-run and Short-run Costs ○ Economies and Diseconomies of Scale ○ Economies of Scope ○ Learning by Doing	ch. 12; Lipsey, ch. 8
#11-#13: Market Structure	○ Meaning ○ Structure of Perfect and Imperfect Markets ○ Producer's Objectives ○ The Meanings of Profits and Loss ○ Profit Maximization ▪ TR-TC Approach ▪ MR-MC Approach ○ Perfectly Competitive Market ▪ The Nature of Demand, TR, MR, AR and Their Relationships ▪ Short-run Equilibrium ▪ Derivation of Firm's and Market's Short-run Supply Curves ▪ Long-run Equilibrium ○ Monopoly ▪ Causes of Monopoly ▪ The Nature of Demand, TR, MR, AR and Their Relationships ▪ Short-run Equilibrium ▪ Economic Effects of Monopoly ▪ Price Discrimination • First-degree Price Discrimination	Read: CFO, chs. 12-13; Frank, chs. 11-12; KW, chs. 13-14; Lipsey, chs. 9-10, 13; Mankiw, chs. 14-15

	• Second-degree Price Discrimination • Third-degree Price Discrimination o Comparison between Perfect Competition and Monopoly	
#14: Factor Markets	• Demand for factor as a derived demand • The firm's demand for a factor • The supply of a factor • Determination of factor prices	Read: CFO, ch. 10; Browning, ch. 16; KW, ch. 20; Lipsey, ch. 13; Perloff, ch. 15.1-15.3
#15: Market Failure	o Meaning and Characteristics o Origins of Market Failure ▪ Monopoly Power ▪ Public Goods ▪ Externalities ▪ Asymmetric Information	Read: CFO, chs. 16-17; Frank, chs. 16-17; KW, chs. 17-18, Lipsey, Ch. 16; Mankiw, chs. 10-11, and 22
		Watch: “Erin Brockovich”, “Day After Tomorrow”.

Important Dates:

First semester begins	August 15, 2016
Period of withdrawal without “W”	August 15 - 29, 2016
Mid-Term Examination Period	October 3 - 8, 2016 (No lectures)
EE211 Midterm Exam	(Thursday, October 6, 2016; 12.30-14.30)
Course withdrawal with “W”	October 19 - 25, 2016
Last day of all classes	December 4, 2016
Final Examination Period	December 6 - 22, 2016
EE211 Final Exam	(Tuesday, December 13, 2016; 13.30-16.30)