



B.E. International Program

Faculty of Economics, Thammasat University



Course Syllabus

EE211 Principles of Microeconomics

- Semester:** 2/2018 (January 14 – May 12, 2019)
- Number of credits:** 3 credits (3-0-6)
- Lecture Time:** Section 046401: Tuesday and Thursday, 09.30 – 11.00 hours
Section 046402: Tuesday and Thursday, 09.30 – 11.00 hours
- Lecture Venue:** Section 046401: Room 303 Faculty of Economics
Section 046402: Room 302 Faculty of Economics
- Instructor:**
- Section 046401:** Asst. Prof. Dr. Phongthorn Wrasai
Office: Room 471, 4th Floor or B.E. Office, 5th Floor, Faculty of Economics
Email: pwrasai@econ.tu.ac.th, pwrasai@gmail.com
Office hours: by appointment (please email)
- Section 046402:** Ajarn Weerawat Phattarasukkmjorn
Office: Faculty of Economics
Email: weerawat@econ.tu.ac.th
Office hours: by appointment (please email)

Course Description:

Principles of microeconomics such as value, price, resource allocation, introduction to theories of consumption and production with an emphasis on factors determining supply and demand of goods and services, determination of price and efficiency of resource allocation in perfect and monopoly markets; competitive factor market and introductory concepts of market failures.

Prerequisites: *For economics major students or students aimed to transfer to economics major only*

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 the concept of opportunity cost
- Understand market forces of supply and demand
- Understand the concept of elasticities
- Understand the concept of consumer and producer surpluses
- Understand consumer behavior.
- Understand firm behavior in perfectly competitive and in monopoly structure.
- Analyze different types of market structures (a competitive market Vs. Monopoly).
- 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.
- 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 firm in a monopoly and calculate the resulting changes in producer or consumer surplus.
- Use economic tools to analyze economic policies.

Expected Learning Outcomes:

1. Morality and Ethics

| Applicability | Expected Learning Outcomes |
|---------------|--|
| ● | 1.1 Students demonstrate integrity. |
| ○ | 1.2 Students prioritize social and public benefits over personal ones. |
| ● | 1.3 Students are punctual and comply with the code of conduct of the institution and society at large. |
| ○ | 1.4 Students are responsible and accountable to society, the nation, and the subject of economics. |
| ○ | 1.5 Students realize the cultural and environmental value of the sustainable society. |

2. Knowledge

| Applicability | Expected Learning Outcomes |
|---------------|--|
| ● | 2.1 Students know and understand modern economics principles and theories, and are up to date with new developments. |
| ● | 2.2 Students know and understand Thai and global economic structure, and the importance of major international economic events. |
| ● | 2.3 Students know and understand instruments of economic analysis. |
| ● | 2.4 Students know and understand applied fields in economics, including monetary, public, international, business, natural resource and environmental, industrial, agricultural, cooperative, political, developmental, and entrepreneurial economics as well as agribusiness. |
| ○ | 2.5 Students are informed about related fields including sociology, business administration, education, law policy, and science. |

3. Intellectual Development

| Applicability | Expected Learning Outcomes |
|---------------|---|
| ● | 3.1 Students have developed individual critical thinking. |
| ● | 3.2 Students are sufficiently trained in research skills. |
| ● | 3.3 Students demonstrate an ability to analyze and synthesize data, as well as appropriately integrate economics concepts to understand causes of current economic problems in Thailand. Based on analysis and synthesis, students demonstrate an ability to propose policy guidelines to resolve problems. |

4. Interpersonal Skills and Responsibilities

| Applicability | Expected Learning Outcomes |
|---------------|---|
| ● | 4.1 Students are responsible for assigned tasks and work in groups effectively. |
| ○ | 4.2 Students have problem-solving skills. |
| ○ | 4.3 Students show leadership skills and team spirit. |
| ● | 4.4 Students are always improving themselves. |
| ○ | 4.5 Students have good interpersonal skills, adapting and working under different conditions. |

5. Quantitative Analysis, Communication and Information Technology

| Applicability | Expected Learning Outcomes |
|---------------|---|
| ○ | 5.1 Students select and apply appropriate statistical and mathematical methods for data processing, interpretation, conclusions, and recommendations to resolve problems. |
| ○ | 5.2 Students communicate effectively and select appropriate presentation methods. |
| ○ | 5.3 Students use information and communication technologies appropriately to gather data as well as process, interpret, and present results. |

Textbooks:

Mankiw, N.G. *Principles of Microeconomics*, 8th ed., Cengage, 2018 (ISBN-10: 1-305-97149-3 ISBN-13: 978-1-305-97149-3) ***with MINDTAP***

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

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:

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

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

Student Resources for Frank's text:

http://highered.mheducation.com/sites/0073375942/student_view0/student_study_resources.html

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

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).

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

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.

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

List of Economics Films:

“Star Wars”

Dr. Strangelove or: How I Learned to Stop Worrying and Love the Bomb (1964)

“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.

“An Inconvenient Truth”, 2006 - Capitalism and the environment

“Moneyball”, 2011 - About an econometric model

“Inside Job”, 2010 - -About the 2007-2008 financial crisis

“Margin Call”, 2011 - About the 2007-2008 financial crisis

“The Big Short” 2015 - About the 2007-2008 financial crisis

“The Dark Knight” 2008 - Oligopolies and Game Theory

“Anchorman” 2004 - Efficiency and Externalities

“Indiana Jones” - Demand and Supply

“Margin Call” (2011)

Some Useful Links

Nobel Prize in Economic Sciences:

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

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

Evaluation:

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| Midterm Examination | 35 % |
| Final Examination | 55 % |
| Homework or Quizzes | 10 % |
| Total | 100% |

Remarks:

- ◆ **Mid-Term Examination:** (Thursday, March 7, 2019, 09.00 - 11.00 hrs.)
- ◆ **Final Examination:** (Tuesday, May 21, 2019, 09.00 – 12.00 hrs.)

Study Plan

| Sessions | Topics | Activities/Text & Materials/ Media |
|---|---|--|
| #1: Economics: The Study of Choice | <ul style="list-style-type: none"> ○ What is Economics all about? ○ The Basic Economic Problems ○ Circular Flow ○ Microeconomics Vs. Macroeconomics ○ Economists' Tool Kit <ul style="list-style-type: none"> ▪ Equilibrium Analysis ▪ Comparative Static Analysis ▪ Constrained Optimization ○ Confronting Scarcity: Production Possibilities Curve (PPC) <ul style="list-style-type: none"> ▪ Assumptions ▪ An Illustration of Scarcity, Choice and Opportunity Costs Using the PPC ▪ Economic Growth and Changes in the PPC | <p>Read: Mankiw, chs.1-2; KW, chs.1-2</p> |
| #2-#3: Demand, Supply, and Equilibrium | <ul style="list-style-type: none"> ○ Market: Meaning and Components ○ Demand: Buyers' Behavior <ul style="list-style-type: none"> • Meaning • Law of Demand • Individual and Market Demands • The Determinants of Demand (or Demand Shifters) • The Distinction of "Change in Quantity Demanded" and "Change in Demand" ○ Supply: Sellers' Behavior <ul style="list-style-type: none"> • Meaning • Law of Supply • Firm and Market Supplies • The Determinants of Supply (or Supply Shifters) • The Distinction of "Change in Quantity Supplied" and "Change in Supply" ○ Market Equilibrium: When Demand and Supply Meet <ul style="list-style-type: none"> • Meaning and How to Determine the Equilibrium | <p>Read: Mankiw, ch.4; KW, ch.3</p> |

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| | <ul style="list-style-type: none"> • What Will Happen if Market is Not Yet in an Equilibrium? (Adam Smith's Invisible Hand or Market Clearing Process) ○ Shocking an Equilibrium <ul style="list-style-type: none"> • When demand curve shifts • When supply curve shifts • When both demand and supply curve simultaneously shift | |
| <p>#4: Elasticity: A Measure of Response</p> | <ul style="list-style-type: none"> ○ Elasticity of Demand <ul style="list-style-type: none"> ▪ Meaning ▪ Measurement ▪ Why Elasticity? :Absolute Change, Relative Change, and Percentage Change ○ Price Elasticity of Demand: Defined <ul style="list-style-type: none"> ▪ Computing Price Elasticity of Demand • Point-Price Elasticity of Demand • Arc-Price Elasticity of Demand • Determinants of Price Elasticity of Demand • Total Revenue and Price Elasticity of Demand ○ Other Demand Elasticities <ul style="list-style-type: none"> • Income Elasticity of Demand • Cross Price Elasticity of Demand ○ Elasticity of Supply: Meaning, Measurement and Determinants | <p>Read: Mankiw, ch.5; KW, ch.6</p> |
| <p>#5: Consumers, Producers, and the Efficiency of Markets</p> | <ul style="list-style-type: none"> ○ Consumer Surplus <ul style="list-style-type: none"> ▪ Willingness to Pay (WTP) ▪ Using the Demand Curve to Measure Consumer Surplus ▪ Effect of a Price Change on Consumer Surplus ▪ What Does Consumer Surplus Measure? ○ Producer Surplus <ul style="list-style-type: none"> ▪ Cost and the Willingness to Sell | <p>Read: Mankiw, ch.7; KW, ch.4</p> |

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| | <ul style="list-style-type: none"> ▪ Using the Supply Curve to Measure Producer Surplus ▪ Effect of a Price Change on Producer Surplus ▪ What Does Producer Surplus Measure? <p>○ Market Efficiency and Market Failure</p> | |
| <p>#6 Applications on Demand, Supply, and Government Policies</p> | <p>○ Government Intervention in Market Prices</p> <ul style="list-style-type: none"> ▪ Price Ceilings <ul style="list-style-type: none"> ▪ Its effect on price and quantity ▪ Its inefficiency in resource allocation ▪ Welfare Analysis of Price Ceilings (Who gain and lose from the policy?) ▪ Price Floors <ul style="list-style-type: none"> ▪ Its effect on price and quantity (Case study: Agricultural commodities) ▪ Its inefficiency in resource allocation ▪ Welfare Analysis of Price Ceilings (Who gain and lose from the policy?) ▪ Effects of Taxes <ul style="list-style-type: none"> • A Unit Tax Vs. Ad Valorem Tax • Meaning and Effect of a Unit Tax on Supply and Demand Curves • A Unit Tax Imposed on Producers Vs. A Unit Tax Imposed on Consumers <ul style="list-style-type: none"> • Its effect on price consumers paid, price producers received, consumers' tax burden, producers' tax burden, government tax revenue, consumer and producer surplus, and total surplus | <p>Read: Mankiw, ch. 6; KW, chs.5 and 7</p> |

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| | <ul style="list-style-type: none"> • Demand and Supply Elasticities: Implications on tax burdens incurred by consumers and producers • The differences between Unit Tax imposed on producers and on consumers ▪ Effects of Subsidy Given to Producers | |
| <p>#7-#9: The Theory of Consumer Choice</p> | <ul style="list-style-type: none"> ○ Utility Theory (or Cardinal Approach) <ul style="list-style-type: none"> • The Meaning of Utility • Relationship between Total Utility and Marginal Utility • Law of Diminishing Marginal Utility • Consumers' Equilibrium (or Rational Spending Rule) and Change in Equilibrium ○ Indifference Curves Theory (or Ordinal Approach) ○ What a Consumer Wants <ul style="list-style-type: none"> • The Meaning of Indifference Curve • Properties of Indifference Curve • Slope of Indifference Curve and Marginal Rate of Substitution (MRS) ○ What the Consumer Can Afford <ul style="list-style-type: none"> • Budget Line: Meaning, Slope, and Change in Budget Line ○ How the Consumer Optimally Chooses ○ Consumer Equilibrium and Change in Equilibrium ○ Derivation of an Individual Demand Curve Using Indifference Curves and Budget Lines ○ How a Consumer Responds to Change in Price: Substitution and Income Effects (Hicksian Approach) | <p>Read: Mankiw, ch.21; KW, chs.10-11; Frank, chs.3-4;; Lipsey, ch. 6 (& appendix);</p> |

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| <p>#10-#12: Production and Cost in the Short-Run and in the Long-Run</p> | <ul style="list-style-type: none"> ○ Firm and the Objectives of Production ○ Production Functions ○ Distinction between Short-run and Long-run ○ Production and Costs in the Short-run <ul style="list-style-type: none"> ▪ Total Product (TP), Average Product (AP), Marginal Product (MP) ▪ Relationship of TP, AP, and MP ▪ Law of Diminishing Returns ▪ Stage of Production ○ The Meaning of Costs <ul style="list-style-type: none"> ▪ Economic and Accounting Costs ▪ 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 ○ Production and Costs in the Long-run Isoquant <ul style="list-style-type: none"> ○ 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 | <p>Production in the Short-Run</p> <p>Read: Mankiw, ch.13; KW, ch.12; Frank, chs.9-10; Supplement Note provided in our class,</p> <p>Production in the Long-Run</p> <p>Read: Supplement Note provided in our class; Frank, chs. 9-10; KW, ch. 12</p> |
| <p>#11-#13: Market Structure</p> | <ul style="list-style-type: none"> ○ Meaning ○ Structure of Perfect and Imperfect Markets ○ Producer's Objectives ○ The Meanings of Profits and Loss ○ Profit Maximization <ul style="list-style-type: none"> ▪ TR-TC Approach | <p>Read: Mankiw, chs.14-15; KW, chs. 13-14</p> |

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| | <ul style="list-style-type: none"> ▪ MR-MC Approach ○ Perfectly Competitive Market <ul style="list-style-type: none"> ▪ 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 <ul style="list-style-type: none"> ▪ Causes of Monopoly ▪ The Nature of Demand, TR, MR, AR and Their Relationships ▪ Short-run Equilibrium ▪ Economic Effects of Monopoly ○ Comparison between Perfect Competition and Monopoly | |
| #14: Factor Markets | <ul style="list-style-type: none"> ○ Demand for factor as a derived demand ○ The firm's demand for a factor ○ The supply of a factor ○ Determination of factor prices Under the two scenarios: <ul style="list-style-type: none"> 1) Both factor market and output market are perfectly competitive. 2) Factor market is perfectly competitive but output market is under monopoly | Read: Mankiw, ch.18; KW, ch. 20; Perloff, ch. 15.1-15.3 |
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| #15: Market Failure | <ul style="list-style-type: none"> ○ Meaning and Characteristics ○ Origins of Market Failure <ul style="list-style-type: none"> ▪ Monopoly Power ▪ Public Goods ▪ Externalities ▪ Asymmetric Information ○ Consequences of Market Failure ○ Correction of Failure and Imperfections: Government or Private sector | Read: Mankiw, chs.10-11, 15 and 22; KW, chs. 17-18 Watch: "Erin Brockovich", "Day After Tomorrow". |
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ACADEMIC CALENDAR SEMESTER 2/2018

| Event | Semester 2 (January - June 2019) |
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| Pre-Registration period (BE Portal) | October 29 - November 1, 2018 |
| Course Registration (Reg TU) | November 20 - 23, 2018 |
| Payment | November 20 - 26, 2018 |
| Classes Begin | January 14, 2019 |
| Adding and Dropping Courses W/O Record | January 14 - 28, 2019 |
| Payment | January 14 - 29, 2019 |
| <i>Makha Bucha Day*</i> | <i>February 19, 2019</i> |
| Mid-term Examination Period | March 4 - 9, 2019 |
| Course Withdrawal With "W" | March 20 - 25, 2019 |
| <i>Chakri Memorial Day*</i> | <i>April 6, 2019</i> |
| <i>Substitution for Chakri Memorial Day*</i> | <i>April 8, 2019</i> |
| <i>Songkran Festival Day*</i> | <i>April 12 - 18, 2019</i> |
| Last Day of Classes | May 12, 2019 |
| Final Examination Period | May 13 - 17, 21 - 30, 2019 |

Remark:

* Holiday, No classes during this period