



## SYLLABUS

### MICROECONOMICS II (INE2101-E)

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#### Instructor Information:

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#### Course Description:

**Prerequisite:** Microeconomics I

**Number of credits:** 4 credits

**Credit hours:** 60 credit hours

**Course description:** This course provides a more in depth coverage of microeconomics. Theories of consumer demand, production, costs and market failures are developed further and applied to consumer and firm behavior. After assessing the welfare implications of a perfect economy with no market failure, the implications for economic welfare of externalities, information asymmetry, imperfect market structures and other instances of market failures are evaluated. Students are assumed to have a basic grasp of

microeconomics from a principles course and adequate calculus ability. In this course we will study basic microeconomic theory and its application to some selected problems of both practical and academic interest. Microeconomic analysis involves problem-solving, which means that most of our time will be spent setting-up and solving constrained optimization problems.

Language of instruction and testing : English

Test forms : written test

Learning activities : the course will be conducted in an interactive manner that requires students' frequent feedbacks. Learning activities will include lectures, in-class discussion, case study preparation and presentation, homework and tests.

**Course objectives :** Our objective in this Microeconomics II course is to cover microeconomic theory at the intermediate level. This course's aim is to ensure that all students can take standard microeconomic problems and correctly analyze them. This course builds basic microeconomic tools, e.g., supply and demand curves, from fundamental concepts. The primary goal is to teach you how to apply economic reasoning in a careful, systematic way, to economic issues you will confront in subsequent university courses and in your post-university careers. The course is also important to any student who plans to go on to study economics at the graduate level. It is best seen as a course that provides the foundations of economic analysis and thereby opens the door to other economics courses, both applied and theoretical.

I will use the 4 scales (1: to be able to recall; 2: to be able to understand and apply; 3: to be able to reason; and 4: to be able to create) - equivalent to the 6 scales of Bloom's taxonomy – given in the Appendix to assess the level of proficiency of the students regarding to their achievement of the expected learning outcomes thorough the course. Students can also use

these 4 scales to assess themselves the level of proficiency of the expected learning outcomes.

*Economic knowledge and reasoning:*

Students are expected to be able to acquire the knowledge of microeconomics up to the level of proficiency 3.5 (to be able to reason and to some extent create):

- understand microeconomics at intermediate level.
- understand standard economic problems and correctly analyze them.
- Identify and analyze how different kinds of market structures operate : perfect competition, monopolistic competition, oligopoly and monopoly.
- Understand and analyze economic welfare of externalities, information asymmetry, imperfect market structures and other instances of market failures.
- Set up and solve economic problems analytically.

*Personal and professional skills and attributes:*

Through the course the following students' personal skills are developed and enhanced between the levels of proficiency 2 (to be able to understand and apply) and 3.5 (to be able to analyze, evaluate and to some extent create):

- reasoning and solving economic issues: this includes identifying, formulating and generalizing economic issues, analyzing the issues/problems both qualitatively and quantitatively with uncertainty, solving the issues by recommending and giving solutions.
- researching the knowledge and practice through making hypothesis, reviewing both print and electronic literature, and searching, collecting, analyzing and handling/processing the information/data, testing hypothesis, doing research and applying it to the reality.

- thinking systematically (e.g. thinking holistically, finding economic problems/issues and their interactions, identifying priority, finding balanced solutions, analyzing from different aspects).
- Creatively building economic models and use them to solve economic problems.

Students foster and develop *personal attributes* (e.g. perseverant/patient, flexible, self-confident, diligent/hard working, creative thinking, critical thinking, and self-esteem) and *skills* (e.g. awareness of one's personal knowledge, skills, and attitudes; time and resource management; learning and self-learning; and self-management). Students are required to acquire a fluent use of Microsoft Word (in submitting homework and projects) and Microsoft PowerPoint (in the form of case study and project presentation).

Students are fostered and developed *professional skills and attributes* (e.g. professional ethics, integrity, responsibility, and accountability; task organization and arrangement; awareness & catch up with modern world's economy; ability to work independently; and self-confidence in international working environment).

#### *Interpersonal skills and attributes:*

In using the teaching and learning methods such as in-class discussions, case study preparation and presentation and homework, students are required to develop and enhance their interpersonal skills and attributes among the levels of proficiency 2 (to be able to understand and apply) and 3 (to be able to analyze and evaluate): teamwork (forming effective teams, team operation, team growth and evolution, leadership, ability to work with different teams), communications (spoken, written and electronic/multimedia communications, presentation), and communication in English (listening, speaking, reading and writing).

#### *Ability to apply economic knowledge into practice:*

Through lecture, case studies and homework, students are able to formulate economic ideas and evaluate economic consequences between the levels of proficiency 2 (to be able to understand and apply) and 3 (to be able to analyze and evaluate) within the contemporary societal and external context.

**Other course notes:** This one of the most difficult courses taught in undergraduate economics. Reading the assignments in the text, attending lectures, completing of problems, and studying for the midterms and final exam will require a significant amount of time, even from top students. You will not do well by skipping the text, going only occasionally to lecture and cramming for exams. To do acceptably, you need to attend lectures and discussion sections and keep up with problem sets as we go along.

## Textbooks and References:

**Required books:** Please obtain the newest version possible but older versions are ok too except that chapter numbers might be different.

1. Varian, Hal, "*Intermediate Microeconomics: a Modern Approach*," W.W. Norton and Company Publisher, (7<sup>th</sup> edition, 2005)
2. Perloff, Jeffrey, "*Microeconomics: Theory and Applications with Calculus*," Pearson Education Publisher, 2008
3. Pindyck, Robert S. and Daniel L. Rubinfeld, "*Microeconomics*," Prentice-Hall Publisher. (newest version is 7<sup>th</sup> edition 2009)

**References:** Other recommended books and materials

1. Nicholson, W. and C. Snyder, "*Intermediate Microeconomics and Its Applications*," South-Western Publisher, (newest version is 11<sup>th</sup> edition 2010)
2. Current economic and business periodicals and journals.

## Assessment and Grading

Homework Assignments	10%
Group Presentation	5%
Midterm Exam	30%
Final Exam	50%
Attendance and Discussion/ participation	5%

### **Criteria for grading short-answer questions in homework assignments, midterm and finals**

- The ideas/arguments/answers are correct, relevant, appropriate and in full with the requirements of the questions. (70%).
- Good structure of the answer – e.g. supporting arguments/evidence/examples are given (20%).
- Good communications (e.g. writing) for the ideas/arguments/answers (10%).

### **Homework assignments**

There will be 5 homework assignments during the semester. See Course Calendar below for their timing and due dates. Homework is assigned in class or via email and due in class the following week. You are encouraged to discuss possible solutions to the homework with your classmates but you must submit your own answer. Each homework assignment must be hand written with your full name, student number, homework assignment number, and due date.

*Late homework is not accepted without prior permission from me.*

### **Group Presentation**

In groups of 2-5 decided during the course, students will present their opinions for one of the cases in the text, as assigned. Presentations should be 15 minutes maximum. The criteria for assessing the group case presentation are (but not limited to):

- The ideas/arguments/answers are relevant, appropriate and in full with the requirements of the case. Reference is required where appropriate (50%).
- Good communications (e.g. speaking) for the ideas/arguments/answers (20%).
- Good teamwork (10%)
- Good time management (10%).

- Neatly and nice/attractive form of presentation (10%).

Failure to deliver presentation as assigned would result in no grade for the assigned group case presentation.

### **Midterm Exam**

There will be one midterm exam to be taken in class during Week 8<sup>th</sup> of the semester. Midterm accounts for 25% of your overall grade. *No make-up midterm are available unless under very special circumstances.* Midterm will be two hours, in class, in written form, closed book and comprise both multiple-choice questions and short-answer and problem solving questions. Midterm will only cover the topics discussed in class. For example, there will be no exam questions on topics that are in the text books or other materials but not covered in class.

### **Final Exam**

The final exam will take place during the final exam week of UEB. Final exam accounts for 60% of your overall grade. *Make-up exam will follow COE's policies.* As with the Midterm, the Final will be two hours, in class, in written form, closed book and comprise both multiple-choice questions and short-answer and problem solving questions. Final exam will be covering the topics discussed in class. For example, there will be no exam questions on topics that are in the text books or other materials but not covered in class.

### **Attendance and Participation**

Attendance and participation together account for 5% of your overall grade. Therefore, it is important that you attend class, and that your mind be engaged in the lectures rather than drifting off somewhere. I welcome questions, and I don't mind interruption during lecture time as long as it doesn't get out of hand. I will take attendance every class. I might occasionally hand out participation exercises that you can turn in.

Each week, there will be a discussion session and practice exercises. You are expected to participate in discussion sessions by asking questions, participating in the discussions, and solving exercises on the board. If during these sessions you cannot solve a problem when asked to do so, explain why you cannot do it, where you get stuck, what is the precise issue which



gives you difficulty, *etc.* If you have done some preparation you should be able to do this, which will prove very useful to you and the rest of the class to work through this together. Understanding why one answer is wrong can be as illuminating as seeing the right answer. Do *not* miss the class because you have not understood or prepared the assignment.

### **Course policies:**

Students are required to complete and submit all the tasks given by the course instructor(s)/lecturer(s) in time.

The class will be conducted as an interactive exchange. Students will take an active role in leading discussion of cases, presenting cases, and providing critical commentary. Each class will involve discussions and dialogue as major elements in the learning strategy, although lecture will be utilized to provide grounding for subject content. Individual participants will be responsible for completing reading assignments and participating in discussion of those readings.

The Code of Academic Integrity of the University addresses cheating, fabrication of submitted work, plagiarism, handing in work completed for another course without the instructor's approval, and other forms of dishonesty. For the first offense, a student who violates the Code of the University will receive 0 points for the assignment. The violation will be reported by the instructor(s) to the Dean's Office and recorded in the student's file. For the second offense, the student will be failed from the course and the reason noted on the student's official transcript.

Because it is distracting to other students and to me, I ask that you ***do not carry on private conversations*** and keep your ***cells off*** during class time. Making a habit of this will reduce your participation grade. Please be seated before lecture begins, and don't leave early without prior permission since it is very distracting to me and your classmates. Arriving late or leaving early without a valid excuse will count as *half* of an absence.

The text should be used to help you understand the lectures. Therefore, before class, please prepare by ***reading ahead in the text***. If you have already seen the material, the lectures will be easier to follow. After class, ***reread the text***. Sometimes the text will explain a concept better than I did in class.



Internet/Email Requirements: Students are expected to **regularly check their email account**. Homework assignments, lecture notes, important information or instructions may be emailed to these accounts.

**Hints for success:** Study! Do your homework! Don't miss an exam! Read the assigned chapter before coming to the class and before doing the homework. Don't cram all the studying in the night before the exam, or you will be too tired to think and process all the information. Don't work too much. Get tutoring if you are struggling, or ask the instructor for help and advice. Finally, studying in groups is highly recommended, as long as each member of the group pulls his or her own weight, and you each remain responsible for learning the material. It is OK to discuss homework with your classmates, but copying somebody else's answers is cheating!

Experiences have shown that to achieve good results for each weekly session, students need an average of 5-8 hours/week of self-study to prepare, review and complete homework assignments.

## Course calendar:

Week	Learning Methods	Lecture topics	Reading/ Assignments	Note
Week 1	Course Intro, Lecture, discussion, Q&A, cases, practice exercises (4 c.h.)	<b>Part I: Overview and Preliminaries</b> (4c.h) <u>Math Review</u> <ul style="list-style-type: none"> <li>- Functions, graphs, slopes</li> <li>- Logarithms, derivatives, 2<sup>nd</sup> derivatives, partial derivatives</li> <li>- Product rules, chain rules</li> <li>- Expectation, present values</li> <li>- Optimization and constrained optimization</li> </ul> <u>Introduction to Microeconomic Analysis: the Market</u> <ul style="list-style-type: none"> <li>- Optimization and market equilibrium</li> <li>- Comparative statics</li> <li>- Pareto efficiency</li> <li>- Equilibrium in the long run</li> </ul> Discussion	<b>Before class:</b> Read : Varian (C1)  Prepare for discussions  <b>In class:</b> Participate in discussions and solve practice exercises	

Week 2	Lecture, discussion, Q&A, cases, practice exercises (4 c.h.)	<b>Part II: Consumer Behavior:</b> (3c.h.) <u>Budget Constraints</u> <ul style="list-style-type: none"> <li>- Budget set</li> <li>- Budget lines and changes</li> <li>- The numeraire</li> </ul> <u>Preferences</u> <ul style="list-style-type: none"> <li>- Preferences: assumptions and types</li> <li>- Marginal rate of substitutions (MRS): behavior and interpretation</li> </ul> <u>Utility</u> <ul style="list-style-type: none"> <li>- Cardinal utility, utility functions, Cob-Douglas preferences</li> <li>- Marginal utility and MRS</li> </ul> <b>Discussions and Practice exercises:</b> (1c.h.) <ul style="list-style-type: none"> <li>- Discussion</li> <li>- Practice exercises</li> </ul>	<b>Before class:</b> Read : Varian (C2-4)  Prepare for discussions  <b>In class:</b> Participate in discussions and solve practice exercises	Homework 1 out
Week 3	Lecture, discussion, Q&A, cases, practice exercises (4 c.h.)	<b>Part II: Consumer Behavior:</b> (4c.h.) <u>Choice</u> <ul style="list-style-type: none"> <li>- Optimal choice</li> <li>- Consumer demand</li> <li>- Implication of MRS conditions</li> </ul> <u>Demand</u> <ul style="list-style-type: none"> <li>- Income offer curve and Engel curve</li> <li>- Price offer curve and demand curve</li> <li>- Inverse demand function</li> </ul> <u>Intertemporal choice</u> <ul style="list-style-type: none"> <li>- Preferences for consumption</li> <li>- Inflation</li> <li>- Present value</li> </ul> Discussion	<b>Before class:</b> Read : Varian (C5, 6, 10)  Prepare for discussions  <b>In class:</b> Participate in discussions and solve practice exercises	Homework 1 due

Week 4	Lecture, discussion, Q&A, cases, practice exercises (4 c.h.)	<b>Part II: Consumer Behavior</b> (3c.h.) <u>Uncertainty</u> <ul style="list-style-type: none"> <li>- Consumption contingency</li> <li>- Expected utility</li> <li>- Risk aversion</li> <li>- Risk spreading</li> <li>- Role of the stock market</li> </ul> <u>Market Demand</u> <ul style="list-style-type: none"> <li>- From individual to market demand</li> <li>- Elasticity</li> <li>- The Laffer curve</li> </ul> <u>Market Equilibrium</u> <ul style="list-style-type: none"> <li>- Equilibrium</li> <li>- Inverse demand and supply curve</li> <li>- Taxes</li> <li>- Pareto efficiency</li> </ul> <b>Discussions and Practice exercises:</b> (1c.h.) <ul style="list-style-type: none"> <li>- Discussion</li> <li>- Practice exercises</li> <li>- HW 1 answer</li> </ul>	<b>Before class:</b> Read : Varian (C12, 15, 16)  Prepare for discussions          <b>In class:</b> Participate in discussions and solve practice exercises	Homework 2 out
Week 5	Lecture, discussion, Q&A, cases, practice exercises (4 c.h.)	<b>Part III: Producer Behavior</b> (4c.h.) <u>Technology</u> <ul style="list-style-type: none"> <li>- Technological constraints</li> <li>- Properties of technology</li> <li>- Technical rate of substitution</li> <li>- Long run and short run</li> <li>- Returns to scale</li> </ul> <u>Costs</u> <ul style="list-style-type: none"> <li>- Average costs, marginal costs, variable costs</li> <li>- Long-run costs,</li> <li>- Plan size</li> </ul> <u>Cost minimization</u> <ul style="list-style-type: none"> <li>- Cost minimization</li> <li>- Fixed and quasi-fixed costs</li> <li>- Long run and short run costs</li> <li>- Returns to scale and cost functions</li> </ul> Discussion	<b>Before class:</b> Read : Varian (C18, 20 and 21)  Prepare for discussions          <b>In class:</b> Participate in discussions and solve practice exercises	Homework 2 due



Week 8	Review and exam	<b><i>Student self study</i></b> (1c.h.) HW 3 answer and last minute review (1c.h.) <b><i>Midterm</i></b> (2c.h.)	<b><i>Before class:</i></b> Review class materials from week 1 to week 6 Prepare for discussions <b><i>In class:</i></b> - Participate in discussions and solve practice exercises - During exam: keep calm, do your best!	Midterm exam
Week 9	Lecture, discussion, Q&A, cases, practice exercises (4 c.h.)	<b><i>Part IV: Market Structure: Partial Equilibrium</i></b> (3c.h.) <u><b><i>Monopoly</i></b></u> - Maximizing profit - Markup pricing - Inefficiency and deadweight loss of monopoly - First and second degree price discrimination - Product differentiation <u><b><i>Factor Market</i></b></u> - Monopoly in output market - Monopsony <b><i>Discussions and Practice exercises:</i></b> (1c.h.) - Discussion - Practice exercises - Midterm answer	<b><i>Before class:</i></b> Read : Varian (C24, 25, and 26)  Prepare for discussions  <b><i>In class:</i></b> Participate in discussions and solve practice exercises	
Week 10	Lecture, discussion, Q&A, cases, practice exercises (4 c.h.)	<b><i>Part IV: Market Structure: Partial Equilibrium</i></b> (3c.h.) <u><b><i>Oligopoly</i></b></u> - Choosing a strategy - Price leadership and quantity leadership - Cournot equilibrium - Punishment strategy - Discussion <b><i>Student self study</i></b> (1c.h.)	<b><i>Before class:</i></b> Read : Varian (C27) Prepare for discussions <b><i>In class:</i></b> Participate in discussions and solve practice exercises	Homework 4 out
Week 11	Lecture, discussion,	<b><i>Part IV: Market Structure</i></b> (3c.h.) <u><b><i>Game theory</i></b></u>	<b><i>Before class:</i></b> Read : Varian (C28,	Homework 4 due

	Q&A, cases, practice exercises (4 c.h.)	<ul style="list-style-type: none"> <li>- Payoff matrix of game</li> <li>- Nash equilibrium</li> <li>- Mixed strategy</li> <li>- Repeated games</li> <li>- Enforcing a cartel</li> <li>- Entry, competition, coordination game</li> <li>- Bargaining</li> </ul> <p><b>Discussions and Practice exercises:</b> (1c.h.)</p> <ul style="list-style-type: none"> <li>- Discussion</li> <li>- Practice exercises</li> </ul>	and 29)  Prepare for discussions  <b>In class:</b> Participate in discussions and solve practice exercises	
Week 12	Lecture, discussion, Q&A, cases, practice exercises (4 c.h.)	<p><b>Part V: General Equilibrium</b> (3c.h.)</p> <p><u>Production:</u></p> <ul style="list-style-type: none"> <li>- Robinson Crusoe economy</li> <li>- Decentralized resource allocation</li> </ul> <p><u>Exchange</u></p> <ul style="list-style-type: none"> <li>- Edgeworth box</li> <li>- Pareto efficient allocation</li> <li>- Market trade</li> <li>- Walras law</li> <li>- Equilibrium and efficiency</li> <li>- Two fundamental welfare theorems</li> </ul> <p><b>Discussions and Practice exercises:</b> (1c.h.)</p> <ul style="list-style-type: none"> <li>- Discussion</li> <li>- Practice exercises</li> </ul> <p>HW4 answer</p>	<p><b>Before class:</b> Read : Varian (C31, and 32) Prepare for discussions</p> <p><b>In class:</b> Participate in discussions and solve practice exercises</p>	Homework 5 out
Week 13	Lecture, discussion, Q&A, cases, practice exercises (4 c.h.)	<p><b>Part V: General Equilibrium</b> (4c.h.)</p> <p><u>Welfare</u></p> <ul style="list-style-type: none"> <li>- Social welfare functions</li> <li>- Welfare maximization</li> <li>- Fair allocation</li> </ul> <p><b>Part VI: Market Failures</b></p> <p><u>Externalities</u></p> <ul style="list-style-type: none"> <li>- Quasi-linear preferences</li> <li>- Coase theorem</li> <li>- Production externalities</li> <li>- Market signals</li> <li>- Pollution</li> </ul> <p><u>Public goods</u></p> <ul style="list-style-type: none"> <li>- Private provision of public</li> </ul>	<p><b>Before class:</b> Read : Varian (C33, 34, and 36) Prepare for discussions</p> <p><b>In class:</b> Participate in discussions and solve practice</p>	Homework 5 due


		goods - Different levels of public goods - Free-rider problem - Discussion	exercises	
Week 14	Lecture, discussion, Q&A, cases, practice exercises (4 c.h.)	<b>Part VI: Market Failures (3c.h.)</b> <u><b>Asymmetric Information</b></u> - The market for lemon - Adverse selection - Moral hazard - Signaling - Asymmetric information <b>Discussions and Practice exercises: (1c.h.)</b> - Discussion - Practice exercises	<b>Before class:</b> Read : Varian (C35 and 37)  Prepare for discussions  <b>In class:</b> Participate in discussions and solve practice exercises	Sample final out
Week 15	Review and Group Presentation discussion, Q&A (4 c.h.)	<b>Review for Final (2c.h.)</b> - Class contents from week 1 to week 15 - Practice exercises - Sample exams <b>Group Presentation (2c.h.)</b>	<b>Before class:</b> Review the course contents <b>In class:</b> Participate in discussions and solve practice exercises	

Please make sure you are aware of all applicable school policies by UEB.

Please note that this is only the tentative course calendar and will be subject to change.

Good luck to you all and have a good and productive semester!



Prepared by

  
 Nguyen Thi Thu Hang

For Faculty of Development Economics  
 Department of Economics

Dean  
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Approved by

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## Appendix: Evaluation scales

Instructor(s) will use the 4 scales (1: to be able to recall; 2: to be able to understand and apply; 3: to be able to reason; and 4: to be able to create) – in equal with the 6 scales of Bloom's taxonomy – given in the below Table to assess the level of proficiency of the students regarding to their achievement of the expected learning outcomes thorough the course. Students can also use these 4 scales to assess themselves the level of proficiency of the expected learning outcomes stated below.

<b>Students' Level of proficiency</b>	<b>Bloom's Taxonomy</b>	<b>Key verbs to recognize the ability of students after the course (level of proficiency)</b>
<i>Level 1</i> (To be able to recall)	<i>Level 1:</i> (Remembering)	Memorizing; naming; recognizing; gathering data; observing; showing; recording; locating; identifying; recalling; telling; uncovering; listing; repeating; defining; explaining; investigating; pointing to; retrieving prior knowledge
<i>Level 2</i> (To be able to understand and apply)	<i>Level 2 &amp; 3:</i> (Understanding and applying)	<i>Understanding:</i> classifying; demonstrating; grouping; illustrating / exemplifying; rearranging; reordering; summarizing; inferring; relating; experimenting <i>Applying:</i> modeling; diagramming; performing; reporting; ordering; operating; executing / carrying out; using / implementing acquired data in new situations
<i>Level 3:</i> (To be able to reason)	<i>Level 4 &amp; 5:</i> (Analyzing and evaluating)	<i>Analyzing:</i> comparing; attributing; discussing; contrasting; organizing; investigating; taking a part; deconstructing; focusing / selecting; solving; differentiating relevancy <i>Evaluating:</i> interpreting; critiquing; valuing; justifying; proving; deciding; monitoring; judging; rating; assessing; appraising
<i>Level 4:</i> (To be able to create)	<i>Level 6:</i> (Creating)	Imagining / generating / hypothesizing; designing / planning; inventing / producing / constructing; adapting / changing; improving / predicting; extending; developing; building; compiling