

GRANDE PRAIRIE REGIONAL COLLEGE  
DEPARTMENT OF ARTS, EDUCATION AND COMMERCE  
EC 2810 - MICROECONOMIC ANALYSIS I

COURSE OUTLINE

INSTRUCTOR:	Ebby Aslani	FALL, 1994
OFFICE:	C 423	
CLASSES:	A 204	
OFFICE HOURS:	Mon, Wed, Fri, 11:00 - 12:00 or by appointment	
PHONE:	539 - 2973	

I. COURSE OBJECTIVE

The course deals with microeconomic theory at an intermediate level. It has four basic goals.

1. To expand knowledge and understanding of microeconomic tools beyond the elementary level.
2. To enhance the understanding of the theory of the consumer, and the theories of production, cost, price, output and input determination under various market structures.
3. To use mathematical techniques, mainly calculus, as a method of teaching microeconomic theory, in addition to the verbal and diagrammatical methods.
4. To develop an ability to use the theory to solve theoretical problems and to apply it to "real world" phenomena.

\* \* I would like to emphasize that this is a course in economics, not in mathematics. While the understanding of the mathematics and its economic interpretation will be reflected in the final grades of students of this course, the student will be tested mainly on their understanding and application of microeconomic theory. This is especially true for the final examination. However, anyone who has already completed EC 1010, EC 1020 and at least MA 1130 or MA 1140, and is willing to work hard enough to enhance his/her economic and mathematical skills is welcome to attend this course, and can expect to complete it successfully.

Remember that, by its nature, this course is a theoretical one. Most of the class time is required to enable the students to master microeconomic tools and theory. Applications are to be found mainly in the textbooks, in assignments and in exams. The knowledge which will be acquired in this course will be useful when taking other economic courses such as industrial organization, international trade, labour economics, urban economics etc., and business courses in finance, marketing, cost accounting etc.

## II. TEXT BOOK:

Intermediate Microeconomics, A Modern Approach, Third Edition, Hal R. Varian, Norton, 1993.

Workouts in Intermediate Microeconomics, Third Edition, T. C. Bergstrom and H. R. Varian, Norton, 1993.

\*\* Also, you may find it useful to review the following texts:

Microeconomics With Calculus, B.R. Binger and E. Hoffman, Scott, Foresman & Company, 1988

Microeconomic Theory, Basic principles and Extensions, Fifth Edition, Walter Nicolson, The Dryden Press HBJ, 1992.

### ADDITIONAL REFERENCES:

Microeconomics, Seventh Edition, Edwin Mansfield, W.W. Norton and Company, New York, 1991.

Microeconomics, Second Edition, Robert S. Pindyck and Daniel L. Rubinfeld, Macmillan, 1992.

Price Theory & Applications, Fifth Edition, J. Hirshleifer and A. Glazer, Prentice Hall, 1992.

## III. MARK DISTRIBUTION:

Three Assignments	(10% each)	30%
Mid-Term Exam		30%
<u>Final Exam</u>		<u>40%</u>
Total		100%

## IV. GRADE DETERMINATION:

1. After each assignment or examination is graded, I shall calculate the average grade for the class. Usually it will be "too" high for the first assignment, then it will be low because of difficulty of the questions and/or the high standard required while grading. When this happens, I shall calculate an adjustment factor, Y, according to the formula  $Y = (\text{'desired' average grade}) / (\text{actual average grade})$ , where for a normal class, the 'desired' average grade will be equal to 68. Thus  $Y \geq 1$ . Then each individual's grade will be adjusted by multiplying the actual grade on the assignment (or examinations) by the adjusted factor, Y. This adjusted grade is registered in the class records. [If the average grade for the class is above the 'desired average grade' no adjustment will take place].

2. All adjusted grades are first recorded as percentages. After the final exam, the weighted average (.10 each assignment, .30 mid-term exam and, .40 final exam) of the percentages will be converted to the college nine-point system according to the following table:

9 = 90 - 100%	4 = 50 - 56%
8 = 80 - 89%	3 = 45 - 49%
7 = 72 - 79%	2 = 26 - 44%
6 = 65 - 71%	1 = 0 - 25%
5 = 57 - 64%	

NOTE: Except for the adjustment of the raw grades of assignments or exams, grades are not changed. Moreover, the final grades are not determined with reference to any curve. As well, at any point of time the student may find out exactly where he/she stands (compared with his/her goal).

### COURSE OUTLINE:

#### I. Introduction and Review:

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|------------------------------------|-------|
| 1. The Market                      | CH. 1 |
| 2. The Mathematics of Optimization |       |

#### II. The Theory of Consumer Behaviour:

- |                         |        |
|-------------------------|--------|
| 3. budget Constraint    | CH. 2  |
| 4. Preferences          | CH. 3  |
| 5. Utility              | CH. 4  |
| 6. Choice               | CH. 5  |
| 7. Demand               | CH. 6  |
| 8. Slutsky Equation     | CH. 8  |
| 9. Intertemporal Choice | CH. 10 |
| 10. Consumer's Surplus  | CH. 14 |
| 11. Market Demand       | CH. 15 |
| 12. Equilibrium         | CH. 16 |

#### III. Production and Supply:

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|-------------------------|--------|
| 13. Technology          | CH. 17 |
| 14. Profit Maximization | CH. 18 |
| 15. Cost Minimization   | CH. 19 |
| 16. Cost Curves         | CH. 20 |
| 17. Firm Supply         | CH. 21 |
| 18. Industry Supply     | CH. 22 |

#### IV. Models of Imperfect Competition:

- |                       |        |
|-----------------------|--------|
| 19. Monopoly          | CH. 23 |
| 20. Monopoly Behavior | CH. 24 |

V.	<u>Pricing in factor Market:</u>	
21.	Factor Market	CH. 25
VI.	<u>Market Equilibrium, Perfect Competition:</u>	
22.	Exchange	CH. 28
23.	Production	CH. 29
24.	Welfare	CH. 30
VII.	<u>Limits of the Markets:</u>	
25.	Externalities	CH. 31
26.	Public Goods	CH. 33

\*\*\* Due to the limited time, we may not be able to cover all of the above, but we will try.

**NOTES:**

1. Because economics is a study of human behaviour and heavily depends on theoretical framework than a body of information, it is important that attendance at lectures be regular. The best way to learn economics is to engage in the step by step development of the theory.
2. It is strongly advisable that the appropriate chapters are read prior to each lecture since this is generally considered to be an important and helpful approach to the study of economics.
3. The accompanying study guide provides an excellent means whereby students may test themselves about their understanding of text materials.
4. Failure to withdraw from the course before official withdrawal deadline may result in an 'F' grade because a mark of 0% will be assigned to the incomplete portion of the course work.
5. Absence from class will not be accepted as a legitimate reason for failure to submit an assignment or to attend an exam on time.
6. Students are encouraged to contact the instructor regarding any questions pertaining to course materials, or their performance in the course. Remember that your instructor is here to help you learn, not to make things hard for you. It is a great pleasure to see you in the office for consultation and discussion whenever you fill the need ....

**BEST WISHES**