

Microeconomics (Session F1)

Peking University HSBC Business School

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Class Hours: Sep. 2 to Nov. 7
Mondays and Thursdays
10:30am-12:20pm

Classroom: C125

Office Hours: Wednesdays 3:30pm-5:30pm, or by appointment.

Teaching Assistant: TBA

1. Course Overview

This course covers the fundamental theories of the consumer, the firm, and the markets. Students will learn how changes in supply and demand in the product and resource markets affect prices and quantities available. They will be presented with the principles of marginal analysis, consumer behavior, and the theory of the firm. Other topics will include the determination of profit maximizing output and pricing decisions of business in various market structures, the determination of wages and income distribution. These are the tools that allow the examination of various social problems, including poverty, traffic jam, unemployment, and pollution, to name just a few.

Based on the information and knowledge delivered in this class and the forming of your own perception and understanding of the questions, after this class, students are expected to be able to:

- understand the role of markets in allocating scarce resources;
- understand the impact (good and bad) of government intervention in the market;
- understand media discussions involving business and policies and distinguish what is reasonable and what are just bogus claims;
- ask good (sensible) economic questions, both to yourself and to others;
- offer good arguments regarding the answers to various real life socio-economic problems.

In this class, comments and questions are welcome and encouraged. Things that seem confusing or controversial are naturally that way for some of the topics; students and instructors both will benefit if you ask interesting questions. It is rather difficult to find a perfect and unambiguous answer to some specific socio-economic questions; a level-headed and open discussion is very inspiring in the context of a classroom, and is thus encouraged.

2. Course Requirements

Requirements

- Students are expected to read all assigned readings before each class and show up for class on time;
- Students are required to be comfortable with algebra and basic calculus.

Coursework

There are plenty of exercises after each chapter in the textbook; the students are strongly recommended to use them as practice to master the covered materials, although I am not going to collect them from you. **6** in-class quizzes (**20** minutes) will be arranged. There will also be a comprehensive **final** exam covering all topics of the course. All quizzes and exams are closed book tests. As a general rule, there shall be no make-up tests allowed for any missed quizzes or exams due to the absentee of a student. In case of a personal emergency, you need to talk to the instructor for possible make-up solution.

Grading

Class participation	5%
In-Class Quiz (6) (closed book)	60%
Final exam (closed book)	35%

3. Course Materials

Brief lecture notes will be provided. To furnish you yourself with general knowledge of economics and business discussions outside the classroom, I recommend online resources such as the [*Economist*](#), the [*Financial Times*](#), The [*Wall Street Journal*](#), and etc. These sources provide you with real world economic problems and policy interventions, facilitating you to carry what you've learned from the book into your daily life.

Required Book

- Robert S. Pindyck, Daniel L. Rubinfeld, and Winston T. H. Koh,
Microeconomics: An Asian Perspective, Pearson Education South Asia Pte Ltd,
1st Edition, 2006 (The soft cover copy is published by Tsinghua University Press)

Recommended Additional Readings

Additional reading materials will be provided by the instructor for each topic. You are highly recommended to read all of them.

4. Class Schedule

Due to the required amount of teaching hours, we cannot possibly cover all topics of modern microeconomics. In this class, we will cover the most fundamental and most important topics in understanding the essence of how the economy works in its micro aspect.

**Topic 1 Introduction to Microeconomics: The Economic Way of Thinking
(week 1)**

Readings

Pindyck et al., chapters 1.
Watts, Michael. (1992). "What is a Market Economy?" *U.S. Information Agency*,
Kirzner, Israel. (1997). "How the market works?" *Hobart Papers* 133

Topic 2 Consumer Behaviors and Demand Theory (week 1, 2)

Readings

Pindyck et al., chapters 3, 4.
"Home Truth." *The Economist*, November 8, 2001.
"Inside the Mind of the Consumer." *The Economist*, June 10, 2004.
"The Debt to Pleasure." *The Economist*, April 27, 2013.
"The Rewired Customers." *The Wall Street Journal*, June 4, 2013.

Topic 3 Firm Behaviors Part I: Production and Cost Theory (week 3, 4)

Readings

Pindyck et al., chapters 6, 7.
"The Boomerang Effect." *The Economist*, April 21, 2012.
"Reshoring Manufacturing: Coming Home." *The Economist*, January 19, 2013.
"Home or Abroad: Herd Instinct." *The Economist*, January 19, 2013.
Laura Clarke. "Gold Market Supply Contracts in Reaction to Lower Prices" *The Wall Street Journal*, August 15, 2013
John Koten. "A Revolution in the making." *The wall Street Journal*, June 10, 2013.
"What do Armani, Ralph Lauren, and Hugo Boss Have in Common? Bangladesh" *The wall Street Journal*, July 1, 2013.

Topic 4 Firm Behaviors Part II: Profit and Competition (week 4, 6)

Readings

Pindyck et al. chapters 8.
"Polio Vaccines: Injecting Competition." *The Economist*, July 19, 2013.
"Struggling Smartphone-makers: Biting back at Apple." *The Economist*, September 1, 2012.

Topic 5 Supply, Demand, and Market Mechanism (week 6, 7)

Readings

Pindyck et al. chapters 2,9.
"The Argument in the Floor." *The Economist*, November 24, 2012.

R. A. "Minimum Human Wage." *The Economist*, February 15, 2013.W.W.
"The Minimum Wage: the Law of Demand is A Bummer." *The Economist*,
February 27, 2013.
"Why does America Regulate the Trade in Raisins?" *The Economist*, April
14, 2013.
"Drug policy: Supply and Demand." *The Economist*, June 2, 2011.
"Sweet Land of Subsidy." *The Economist*, April 27, 2013.
Tina Gaudoin. "Bags of Style." *The Economist*, August 16, 2013.
Michael Dunne. "The China Car Industry Capacity Problem." *The
Economist*, June 12, 2013.

Topic 6 Firm Behaviors Part III: Market Structure and Pricing Strategy
(week 7, 8, 9)

Readings

Pindyck et al., chapters 10, 11, 12, and part of 13.
"A Market for Monopoly." *The Economist*, June 15, 2000
"A spoonful of monopoly helps the medicine go down." *The Economist*,
September 21, 2007.
"The Joys of Oligopoly." *The Economist*, March 8, 2001.
"Mexico's Competition policy: Busting the Cartels." *The Economist*,
March 4, 2010.
Andrew Odlyzko. (2003). "Privacy, Economics, and Price
Discrimination." Working paper
A. C. S. "His-counts and Her-charges." *The Economist*, May 24, 2012.
S. J. "The Adult-book Premium." *The Economist*, November 22, 2011.
Thomas Gryta. "Inside the Phone-Plan Pricing Puzzle." *The Wall Street
Journal*, July 31, 2013.
Dennis Berman. "About That Time Warner Cable \$5.99 'Modem Lease'
Fee." *The Wall Street Journal*, July 31, 2013.
"Doubts Cast on Beijing's Cab Shortage Resolution." *The Wall Street
Journal*, May 27, 2013.

(It's likely that we do not have time to cover both topic 7 and 8, we will pick one of them)

Topic 7 The Role of the Government: the Economics of the Public Sector
(week 10)

Readings

Pindyck et al., chapter 18
Hardin, Garrett. (1968). "The Tragedy of the Commons." *Science*,
162(3859): 1243-1248
"Waist Banned." *The Economist*, May 24, 2012.
Pilita Clark. "Renewables: A Rising Power" *Financial Times*, August 8
2013.

Topic 8 The Factors Market (week 10)

Readings

Pindyck et al., chapter 14.

"United Worker of the World." *The Economist*, June 16, 2012.

"Sticky, Sticky Wages." *The Economist*, January 11, 2011.

"The 'quasi-structural' unemployment issue." *The Economist*, March 9, 2013.

Angus Loten. "For Small Firms, Visas Are a Big Headache." *The wall Street Journal*, August 21, 2013.

Khadeeja Safdar. "Ability to Quit Smoking Linked to Higher Wages." *The wall Street Journal*, July 18, 2013.

5. Notes about quizzes and exam:

Quiz 1: Consumer behavior and demand theory

Quiz 2: Production

Quiz 3: Cost

Quiz 4: Profit, competition, and market mechanism

Quiz 5: Monopoly and sophisticated pricing

Quiz 6: Oligopoly

Final exam: comprehensive