

Microeconomics (Session F1)

Peking University HSBC Business School

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Class Hours: Sep. 1 to Nov. 6
Mondays and Thursdays
10:30am-12:20pm

Classroom: 231

Office Hours: Wednesdays 2:00pm-4:00pm, or by appointment.

Teaching Assistant: Anita Han (韩煜) (1301213292@sz.pku.edu.cn)

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 unemployment, 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;
- ask good (and 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 and thought provoking questions. It is rather difficult to find a perfect and unambiguous answer to some specific socio-economic questions; 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 basic algebra, calculus, and optimization.

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. Your score is composed of participation, **2** in-class quizzes (**30** minutes each), one **midterm** (**110** minutes), and one **comprehensive final** exam (**120** minutes). 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 absence of a student. In case of a true personal emergency, you need to talk to the instructor in a timely manner for any possible making-up arrangement.

Grading

Participation	5%
In-Class Quiz (2) (closed book)	20%
Midterm (closed book)	35%
Final exam (closed book)	40%

3. Course Materials

Required Textbook

- Robert S. Pindyck and Daniel L. Rubinfeld, *Microeconomics*, Prentice Hall, 7th Edition, 2009 (The soft cover copy is published by Tsinghua University Press)

Recommended Additional Readings

Additional reading materials are picked for each topic. You are highly recommended to read all of them. Additionally, to be exposed to more general application of microeconomics and business discussions outside the classroom, online sources such as the *Economist*, the *Financial Times*, the *Wall Street Journal*, *China Daily* and etc. are recommended. These sources provide you with real world economic problems and policy interventions, facilitating you to carry what you've learned from the book into daily life matters.

Lecture notes will be provided. E-versions of handouts, slides, supplementary readings and materials are also available on the Course Management System (<http://cms.pkusz.edu.cn>). Log on and search for Microeconomics (ECON510), you need to be registered for this course to access the materials.

4. Class Schedule

Due to the limitation 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, 5)

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 5, 6)

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 6, 7, 8)**

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.

Topic 7 The Factors Market (week 9)

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.

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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.

(When time allows, we will try to cover topic 8 too)

Topic 8 The Role of the Government: the Economics of the Public Sector
(week 9)

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.

5. Notes about quizzes and exam:

Quiz 1: Sept. 15th

Quiz 2: Oct. 27th

Midterm: Oct. 09

Final exam: TBD