

SSCECON208, Microeconomics and Behaviour

2019-2 (Fall)

Classroom: to be determined

Class times: Monday 8:45-10:45, Thursday 13:45-15:45

Instructor: Prof. Dr. Bert Mosselmans

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Office no. & location: F2.18

Office hours: Mondays and Thursdays 11:00-13:30 and 16:00-17:00 (by appointment).

I. Track Information

a) Prerequisite: SSCECON104 Introduction to Economics. Students of the economics track are also recommended to take SCIMATH101 Calculus for Scientists (as their mandatory course from the SCI department).

b) This course serves as a prerequisite for SSC367 Industrial Organisation.

c) Other courses which are relevant to this course – e.g. as part of a minor: international business law, game theory, strategic management, economic psychology.

For further information about the track, please see the track document available on the UCR Intranet.

II. Course Description

Microeconomics investigates economic behaviour at the micro level, i.e. the processes of decision making by individual households and firms. The emphasis of the course is on mainstream neoclassical economics, but attention is also paid to some limitations of this approach, to behavioural economics and to alternative or heterodox approaches. The course investigates rational consumer choice and demand, choice under uncertainty, altruism, cognitive limitations, production, costs, perfect competition, monopoly, labour, capital, externalities and property rights, government, and general and partial equilibrium theory. We will also discuss heterodox approaches, such as Austrian economics, Marxist political economy, institutionalism, and the Chicago School of Economics. The course will also pay attention to academic research and paper writing in economics. Students explore a research question and write an academic paper about a topic related to consumer behaviour or the demand side of the economy. Finally, the class will read a short book on marginalism in order to gain a general understanding of the history of economic thought.

III. Study Load

This course earns students four credits (equivalent to 7.5 ECTS). The class meets twice a week for two hours. Preparation time is approximately 10 hours per week: I suggest you budget 3-4 hours for reading, 3-4 hours for homework and 3 hours for your research and paper writing.

IV. Course Materials

- a) Required books and literature: Frank, R. & E. Cartwright. 2016. *Microeconomics and Behaviour*. London: McGraw Hill Education, 2016, 2nd European edition. Preferably this newest edition, but older editions will also work.
Mosselmans, B. 2018. *Marginalism*. Newcastle upon Tyne: Agenda Publishing.
- b) Recommended books and literature: Landreth, H. & D. Colander. 2002. *History of Economic Thought*. Boston and Toronto: Houghton Mifflin Company, 4th edition.
Cartwright, E. 2018. *Behavioural Economics*. London and New York: Routledge.
- c) Other materials: Students are responsible for acquiring all assigned readings individually. Most of the course's assigned journal articles are available through the UU's Omega electronic journal subscription. The remaining book chapters and articles are available through the Zeeuwse Bibliotheek and/or other libraries. In accessing readings, students should also make use of Picarta's Inter-Library Loans System and other online services (e.g. Google Books).

References:

- Aquinas, T. [1267-1273], *Summa Theologica* (extract, available online).
- Cliffe Leslie, T.E. (1876). "On the Philosophical Method of Political Economy". *Hermathena* 2(4), pp. 265-296.
- Friedman, M. (1966). "The Methodology of Positive Economics", in *Essays in Positive Economics*. Chicago: University of Chicago Press, pp. 3-16, 30-43.
- Hassan, M.K. and M.K. Lewis (eds.) (2007). *Handbook of Islamic Banking*. Cheltenham: Edward Elgar.
- Hodgson, G. (1998). "The Approach of Institutional Economics." *Journal of Economic Literature* 36(1), pp. 166-192.
- Kirzner, L. (1973). *Competition and Entrepreneurship*. Chicago: Chicago University Press.
- Reder, M., (1982). "Chicago Economics: Permanence and Change". *Journal of Economic Literature* 20, pp. 1-38.
- Rosen, S. (1997). "Austrian and Neoclassical Economics: Any Gains from Trade?" *The Journal of Economic Perspectives* 11(4):139-152.
- Stigler, G. and G. Becker. (1977). "De Gustibus Non Est Disputandum". *The American Economic Review* 67(2), pp. 76-90.
- Veblen, T. (1902). *The Theory of the Leisure Class: A Study of Economic Institutions*. New York: MacMillan.

V. Course Organization and Requirements

- a) General Format of Class Meetings:

In most classes, a new chapter from the Frank textbook, or some additional reading material, will be introduced. The instructor will provide a summarizing presentation about important concepts or theories, which will be followed by exercises. You can read the Frank chapter in advance of the class (if you would find this useful), but you should certainly study it and make all exercises after the class. Reading the additional material is optional though highly recommended.

There will be four exams and two research presentations (more details can be found below). The class will also read the short book *Marginalism* about the historical development of microeconomics, one chapter per week, and there will be two discussion sessions.

There will be a guest lecture given by one of the alumni of the economics track of UCR, date to be announced. Attendance of this guest lecture is mandatory for the students of this course. This compensates for the class that is cut because of moderation (in week 9).

Usage of electronic devices (phones, laptops, tablets etc.) is not permitted during class, except by the person who is presenting. Food cannot be displayed or consumed during class or during the exams. Students should take notes during class (using pen and paper).

b) Expectations:

Students should thoroughly read and study the chapters after they have been introduced in class, and prepare the exercises. Note that students must study all sections of the chapter, even those that are not discussed explicitly in class, unless indicated otherwise by the instructor. Students should make at least all exercises of the textbook that are not marked with an asterisk (*). Standard answers will be provided by the instructor. You should first try to solve the exercises on your own, and only then consult the standard answer. Studying should be done regularly (every week), so it would be useful to schedule several hours in your planning for this matter. Working one or two hours per week outside class will simply not be sufficient for this course! In case there would be difficulties with the chapter and/or with the exercises, you can schedule a meeting with the instructor on every Monday or Thursday during the semester (see office hours above). You can also visit the instructor for research feedback. Appointments can be made in class or by e-mail.

Two research presentations must be given by the students.

-Week 5: research question and preliminary bibliography.

-Weeks 12-14: paper presentation. Every student presents a general overview of his/her paper to the class, and another student, who has received a draft of the paper at least one week in advance, will act as a discussant, providing comments, criticisms and suggestions to the presenting student. This procedure emulates what is customary at academic conferences.

Research Paper:

Throughout the semester you work on a research paper. You must formulate a research question and investigate which answers to your question can be found in the academic literature of microeconomics. Non-academic sources cannot be used for this assignment. The general theme of the research is 'theory of consumer behaviour' or 'the demand side of the economy' (Frank chapters 4-9). At least five articles, published in peer reviewed journals of (micro)economics, must be used for this purpose. The presentations in week 5 cannot be longer than ten minutes per student. In week 5 a hardcopy must be submitted to the instructor, which must include the research question and an annotated bibliography (with at least five articles published in peer reviewed journals of economics), summarizing the article and indicating why you think that this article can help in answering the research question. In week 9 a hardcopy, summarizing the main argumentation of the paper, must be submitted to the instructor. In weeks 12-14 general research presentations will be held, where one student will always act as a discussant for another student. The discussant paper must be submitted as a hardcopy before the presentation. The final paper must be submitted on Moodle before the end of week 14.

c) Rules for missing classes and deadlines:

Class attendance is mandatory. Classes and deadlines can only be missed for very good reasons, which must be documented. It is the student's individual responsibility to catch up. If a paper is handed in after the deadline, it will still be graded, but then 10 percentage points will be deducted from the grade of the paper, per day after the deadline. This implies that a student will get zero if the paper is handed in 10 days or later after the deadline has passed.

d) Procedures for communication and use of Moodle:

Moodle is the official mode of communication. Student papers will be scanned for plagiarism. Students must submit their final paper on Moodle.

VI. Assessment

a) Composition of final grade:

15%	Exam 1 (week 4)
5%	Research Question and Bibliography (week 5)
15%	Exam 2 (week 7)
5%	Draft Research Paper (week 9)
15%	Exam 3 (week 11)
5%	Research Presentation 2 (weeks 12, 13 or 14)
5%	Discussion Paper (weeks 12, 13 or 14)
20%	Final Research Paper (week 14)
15%	Exam 4 (week 15)

b) Grading criteria:

Exams consist of problems that are of the same difficulty as textbook problems. Exams are not cumulative, but obviously later chapters of the book are built on earlier chapters. Every exam consists of 4 questions: a question about the theory (essay question), two numerical exercises, and one question consisting of three short questions. There will be questions about the textbook chapters and exercises and about the additional material and the in-class discussions. Simple calculators will be provided by the instructor.

The paper is graded on content (correct application of textbook models, quality of presented evidence, appropriate use of literature) and writing (clarity of your main thesis, effectiveness of the overall structure of your argument, proper use of supporting evidence). Approximate length is 2500-3000 words. The research paper will be graded using the following rubrics, which determine the letter grade for the paper. In addition, a plus or a minus may be added (or not) to the letter grade depending on whether the formal requirements for the research paper are fulfilled or not.

A	The paper shows an excellent understanding of relevant economic theory and the theory is applied successfully to answer the research question. Relevant concepts, algebra and graphs are used to illustrate the argumentation, which is adequate and follows a logical pattern. Relevant peer-reviewed articles from academic economic journals have been used; the sources are adequate and relatively complete and they have been examined critically.
B	The paper shows a good understanding of relevant economic theory and the theory is applied reasonably well to answer the research question, but there are some minor flaws. Relevant concepts, algebra and graphs are used to illustrate the argumentation, which is adequate and follows a logical pattern, though there are some minor flaws. Relevant peer-reviewed articles from academic economic journals have been used, though more sources could have been used and/or these sources should have been approached more critically.
C	The paper shows some understanding of relevant economic theory, but the application of the theory is not successful given that there are some major flaws, logical mistakes and/or unjustified conclusions. The sources are incomplete and/or inadequate.
D	The paper fulfils the formal requirements of an academic research paper, but there is only an elementary understanding of the theory and the paper is mainly descriptive. There are some serious concerns about the sources.
F	No paper was submitted or the paper was (self)plagiarized.

+	References and bibliography are set up in accordance with prevailing standards in economics, the paper is written in good academic English, there are no disturbing typing errors and the paper is written from an impartial point of view.
-	No clear distinction is made between truly academic sources (published in peer reviewed journals) and other documents; the bibliography is not up to standard; or the paper is not written in good academic English.

VII. Course Schedule

Week	Session 1 (Thu)	Session 2 (Fri)	Study Material
1	Introduction, Research Overview	Rational Consumer Choice and Demand (Revision)	Frank Ch. 4-6 Marginalism Ch. 1
2	Choice under Uncertainty	Introduction to the History of Economic Thought and Marginalism	Frank Ch. 7 Marginalism Ch. 2
3	Heterodox Economics (1): Marxist Political Economy	Heterodox Economics (2): Institutionalism and Historical Approaches	Cliffe Leslie (1876) Veblen (1902) Hodgson (1998) Marginalism Ch. 3
4	Exam 1 (Frank Ch. 4-7 and additional study material)	Tastes and Altruism	Frank Ch. 8 Stigler & Becker (1977) Marginalism Ch. 4
5	Cognitive Limitations Heterodox Economics (3): Behavioural Economics	Student Presentations: Research Question and Preliminary Bibliography	Frank Ch. 9 Cartwright (2018) Marginalism Ch. 5
6	Production Mid-Term Course Evaluation	Costs	Frank Ch. 10-11 Marginalism Ch. 6
7	Perfect Competition	Exam 2 (Frank Ch. 8-12 and additional study material)	Frank Ch. 12 Marginalism Ch. 7
8	Monopoly	Marginalism Ch. 1-4 Discussion Session	Frank Ch. 13 Marginalism Ch. 8
9	Labour	no class (advising and moderation day, also compensates for the guest lecture)	Frank Ch. 15
10	Capital Heterodox Economics (4): Normative Economics (Usury and islamic banking)	Marginalism Ch. 5-8 Discussion Session	Frank Ch. 16 Aquinas Hassan (2007)
11	Exam 3 (Frank Ch. 13 and 15-16 and additional study material)	Heterodox Economics (5): The Chicago School and Austrian Economics	Reder (1982) Friedman (1966) Rosen (1997) Kirzner (1973)
12	General and Partial Equilibrium Theory	Research Presentations	Frank Ch. 17
13	Externalities and Property Rights	Research Presentations	Frank Ch. 18
14	Government Final Course Evaluation	Research Presentations	Frank Ch. 19
15	Exam 4 (Frank Ch. 17-19 and additional study material)	General Feedback Session	

Note: the date for the guest lecture will be announced during the semester.

VIII. Student Learning Outcomes (SLOs)

Period	Teaching Activities	Student is able to:
Period 1 (weeks 1-3)	General introduction and revision, students find a research topic.	Understand important concepts about the demand side of the economy and apply the rational choice model to analyse a variety of situations.
Period 2 (weeks 4-7)	Students deepen their understanding about consumer behaviour and marginalism, formulate a research question and find adequate academic literature.	Understand limitations of the standard model (tastes, altruism, and behavioural theory). Understand historical and institutional approaches. Formulate a good research question and find adequate academic sources in relevant economic journals and set up a suitable bibliography.
Period 3 (weeks 8-11)	Students deepen their theoretical understanding of firm behaviour under perfect or imperfect competition. Students complete their research paper.	Understand firm behaviour, and identify monopoly power in a market and understand the implications of this power. Understand the approach of the Chicago School, the Austrian School and the methodology of positive economics. Distinguish clearly between positive and normative economics, but at the same time identify ethical issues which arise with welfare economics. Understand the historical development of micro-economics.
Period 4 (weeks 12-15)	Students study further applications and extensions of microeconomics. Students present their findings during presentations in class.	Understand externalities and the economics of government. Understand the difference between general and partial equilibrium theory and its relevance for research. Write an academic research paper in microeconomics. Participate in an emulated academic conference.

See section VI for the grading scheme for the research paper.