

MAKERERE UNIVERSITY
COLLEGE OF AGRICULTURAL & ENVIRONMENTAL SCIENCES
DEPARTMENT OF AGRIBUSINESS AND NATURAL RESOURCE
ECONOMICS
ACADEMIC YEAR 2019/2020

AEC1101: INTRODUCTORY MICROECONOMICS: COURSE OUTLINE

LECTURES: TUESDAY 11.00-12.55p.m. (*Biology Lab. Agriculture Building*).

INSTRUCTOR: Prof. Bernard Bashaasha;

TEACHING ASSOCIATE: Dennis Tiishekwa

OFFICE HOURS: BY APPOINTMENT (Tel: 0414-542277).

Text: Lecture notes will be based on: Microeconomics, 3rd Edition, by Roger A. Arnold
Publisher: West Publishing Company

- You are required to attend all classes and encouraged to ask questions.
- The College Library located in the Forestry Building has a rich selection of useful Introductory Microeconomics Text books for your reference.

Exams: There will be **ONE Quiz and ONE midterm examination** together constituting **40%** of your final grade. A comprehensive final exam will account for **60%** of your final grade.

Quiz: TUESDAY September 24th, 2019

Mid TERM EXAMINATION: TUESDAY October 29, 2019

Final exam (Date will be indicated on the University Examinations timetable)

Quiz Policy

There are **NO MAKE UPEXAMS OR EARLY EXAMS**. If you must miss an **EXAMINATION** because of illness or other unavoidable circumstance, the instructor must be informed in advance. It is your responsibility to ensure that the instructor receives advance information. You are expected to be familiar with the university examinations policy available on the intranet.

Note on Multiple Choice Questions

If a multiple choice exam question is not to be a give-away, *more than one answer must have an element of truth in it*. One answer, however, should be better or more true than the others. You are strongly advised to choose the **ONE BEST** answer to all questions. Credit will only be given for this one best answer.

PART 1. INTRODUCTION TO ECONOMICS

1. **August 13, 2019:** Arnold Chapter 1: What Economics is About
Scarcity, Choice and opportunity cost, The nature and role of theory, Scientific thinking, Economic categories.

2. **August 20, 2019:** Arnold Chapter 2: The Production Possibilities Frontier (PPF)
Framework: Resources, the PPF, scarcity, choice, opportunity cost, economic growth, efficiency.

3. **August 27, 2019:** Arnold Chapter 3: Theory of Supply, Demand and Price
Demand, law of demand, demand schedule, demand curve, market demand, Factors that affect demand, demand shifters, change in quantity demanded versus a change in demand.

4. **September 03, 2019:** Supply: The law of supply, why most supply curves are upward sloping, market supply, factors that affect supply, supply shifters.

5. **September 10, 2019. *The Market:*** Putting supply and demand together
Terminology, equilibrium, surplus, shortage, Maximum and minimum prices, changes in equilibrium prices and quantity, absolute and relative price.

6. **September 17, 2019:** Arnold Chapter 4: Supply Demand and Price Applications
Price, price controls (ceiling and floor).

7. TUESDAY September 24th, 2019: QUIZ NUMBER ONE

PART II: MICROECONOMIC FUNDAMENTALS

8. **October 01, 2019** Arnold: Chapter 5. An introduction to microeconomics
Microeconomic players (consumers, firms, factor owners, government)., the trilogy of objective-constraint-choice, markets. Arnold: Chapter 6. The logic of consumer choice
Utility theory, consumer equilibrium and demand

9. **October 08, 2019.** Budget constraints and Indifference curve Analysis
The budget constraint, indifference curves, the indifference map and budget constraint come together; Arnold. Chapter 7. Elasticity: Elasticity part 1; (price elasticity of demand, point and arc)

10. **October 15, 2019.** Elasticity part 2; (determinants of price elasticity of demand)
Other Elasticity Concepts (cross elasticity of demand, Income elasticity of demand).
Price elasticity of supply, price elasticity of supply and time, who pays the tax (elasticity matters), elasticity and tax revenue.

11. **October 22, 2019:** Arnold **Chapter 8.** The theory of the firm
Why firms exist, types of business firms, balance sheet of a firm, financing corporations (stocks, bonds). Arnold. **Chapter 9.** Production Costs; Production and costs in the short run; Production and costs in the long run.

12. TUESDAY October 29, 2019: MID TERM EXAMINATION

PART III: MICROECONOMIC THEORIES (PRODUCT MARKETS)

13. **November 5, 2019:** Arnold Chapter 10: Perfect Competition
The theory of perfect competition, perfect competition in the short run. Perfect competition in the long-run. Resource allocative efficiency and productive efficiency.

14. **November 12, 2019:** Arnold. Chapter 11: Monopoly,
The theory of monopoly, monopoly pricing and output decisions. Monopoly profits in the long-run, the case against monopoly, price discrimination

15. **November 19, 2019.** Arnold: Chapter 12. Monopolistic Competition and Oligopoly
The theory of monopolistic competition, Oligopoly: Assumptions and real world behaviour. Price and output under Oligopoly (three theories). Game theory and oligopoly.

PART IV: MICROECONOMIC THEORIES (FACTOR MARKETS)

16. **November 26, 2018:** (**LAST CLASS**) Arnold Chapter 13. Factor markets with emphasis on labor markets. The labor market, labor markets and information.

Introduction to game theory (Payoff matrix of a game, Nash equilibrium, mixed strategies, The Prisoner's Dilemma) [*Hal R. Varian: Intermediate Microeconomics, Third Ed. Chapter 27*].

UNIVERSITY EXAMINATIONS PERIOD

Good luck! I hope you Enjoy the Course