## AEC1101 INTRODUCTORY MICROECONOMICS

**2. INSTRUCTOR(s):** Ass. Prof. Bernard Bashaasha (BSc. Agric, MSc. Agric. Econ. MA. Econ. PhD)

 Ms Rosemary Isoto Emegu (Bsc.Agric., Msc, Agric.& Applied Economics)

**3. COURSE TYPE:** Core for B.Sc. Agric. 1, BSc.FST1, BSc. For1, BSc. WS&T1, BSc. Community Forestry1)

**4. COURSE STRUCTURE**

3 Credit units: 30 lecture hours (2 contact hour per week for 15 study weeks) and 30 tutorial hours (1 contact hour per week for 15 study weeks)

**5. COURSE DESCRIPTION:**

Students undertaking this course will be introduced to what Economics is About, Scarcity, Choice and opportunity cost, The nature and role of theory, Scientific thinking, Economic categories, The Production Possibilities Frontier (PPF) Framework: Resources, the PPF, scarcity, choice, opportunity cost, economic growth, efficiency. 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, The law of supply, why most supply curves are upward sloping, market supply, factors that affect supply, supply shifters. 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. Supply Demand and Price Applications, Price, price controls (ceiling and floor). Microeconomic players (consumers, firms, factor owners, government)., the trilogy of objective-constraint-choice, markets, The logic of consumer choice, Utility theory, consumer equilibrium and demand, Budget constraints and Indifference curve Analysis, The budget constraint, indifference curves, the indifference map and budget constraint come together, Elasticity, Why firms exist, types of business firms, balance sheet of a firm, financing corporations (stocks, bonds), Production costs, The theory of perfect competition, perfect competition in the short run. Perfect competition in the long-run. Resource allocative efficiency and productive efficiency, Monopoly, Monopoly profits in the long-run, the case against monopoly, price discrimination, Price and output under Oligopoly (three theories), Game theory and oligopoly

**6. COURSE OBJECTIVES:**

The **overall objective** of this course is to introduce students to the different aspects of microeconomics which will also provide the students with a good foundation for other economics courses in agricultural economics. The students will be capable of understanding how markets work.

The **specific objectives** are to:

1. Provide the students with basic understanding of microeconomics, why its necessary to make choices in life.
2. Enable students appreciate the role of microeconomics in the market arena.
3. Enable students understand Why firms exist, and be able to apply this knowledge to their day to day dealings with their economic environment.

**7. RECOMMENDED REFERENCES FOR READING**

1. Roger A. Arnold ( ). Microeconomics, 2nd Edition, West Publishing Company.

2. Hal R. Varian: Intermediate Microeconomics, Third Ed. Chapter 27].

**8. COURSE CONTENT, METHODS OF INSTRUCTION AND TOOLS AND REQUIRED**

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| **TOPIC** | **CONTENT** | **METHOD OF INSTRUCTION / Time allocated** | **TOOLS / EQUIPMENT NEEDED** |
| 1.What Economics is About | * Definitions
* Scarcity
* Choice and opportunity cost
* The nature and role of theory
 | Interactive lecture (2 hrs) | Chalk / BB or Markers / Flip charts |
| 2. Scientific thinking | * Definition
* Economic categories
* The Production Possibilities Frontier (PPF) Framework: Resources, the PPF, scarcity, choice, opportunity cost, economic growth, efficiency.

Tutorial on application of PPF | Interactive lecture (2 hrs)Tutorial (3 hrs) | Chalk / BB or Markers / Flip charts, Projector |
| 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

Tutorial on quantitative examples of demand and law of demand | Interactive lecture (2hrs)Tutorial 3 hrs | Chalk / BB or Markers / Flip charts, Projector |
| 4. Supply | * Definition
* The law of supply,
* why most supply curves are upward sloping,
* market supply, factors that affect supply,
* supply shifters
 | Interactive lecture (2 hrs) | Chalk / BB or Markers / Flip charts |
| 5*. The market* | * Putting supply and demand together
* Terminology,
* equilibrium,
* surplus,
* shortage,
 | Interactive lecture (2 hrs) | Chalk / BB or Markers / Flip charts, Projector |
| *6* . *The market continued..* | * Maximum and minimum prices, changes in equilibrium prices and quantity, absolute and relative price
* Supply ,Demand and Price Applications Price

Tutorial on price controls (ceiling and floor). | Interactive lecture (2 hrs)Tutorial 3 hrs |  |
| 7. Microeconomic fundamentals | * An introduction to microeconomics
* Microeconomic players (consumers, firms, factor owners, government).
 | Interactive lecture (2 hrs) | Chalk / BB or Markers / Flip charts |
|  8. Microeconomic fundamentals continued.... | * The trilogy of objective-constraint-choice, markets.
* The logic of consumer choice.
* Utility theory, consumer equilibrium and demand.

Tutorial on Budget constraints and Indifference curve Analysis | Interactive lecture (2 hrs)Tutorial 3 hrs |  |
| 9. Elasticity | * Elasticity part 1; (price elasticity of demand, point and arc)
* Elasticity part 2; (determinants of price elasticity of demand)

Tutorial on quantitative application of elasticity  | Interactive lecture (2 hrs)Tutorial 3 hrs |  |
| 10. Elasticity | * 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.
 | Interactive lecture (2 hrs) | Chalk / BB or Markers / Flip charts |
| 11. The theory of the firm and costs | * Why firms exist, types of business firms, balance sheet of a firm, financing corporations (stocks, bonds)
* Production costs

Tutorial on Costs, production and costs in the short run. Production and costs in the long run.  | Interactive Lecture (2 hr)Tutorial 3 hrs | Chalk / BB or Markers / Flip charts |
| *12. Microeconomic theories (Product Markets)* | * Perfect Competition, definition
* The theory of perfect competition, perfect competition in the short run. Perfect competition in the long-run.

Tutorial on Resource allocative efficiency and productive efficiency | Interactive Lecture (2hr)Tutorial 3 hrs | Chalk / BB or Markers / Flip charts, Projector |
| 13. Monopoly | * The theory of monopoly,
* monopoly pricing and output decisions

Tutorial on the monopoly profits in the long-run, the case against monopoly, price discrimination | Interactive lecture (2 hrs)Tutorial 3 hrs | Chalk / BB or Markers / Flip charts |
| 14. Monopolistic Competition and Oligopoly | * The theory of monopolistic competition,
* Oligopoly: Assumptions and real world behaviour.

Tutorial on Price and output under Oligopoly (three theories). | Lecture (2 hr)Tutorial 3 hrs | Chalk / BB or Markers / Flip charts |
| 15. Microeconomic theories (factor markets) | * 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,

Tutorial on the Prisoner’s Dilemma | Interactive Lecture (2hr)Tutorial 3 hrs | Chalk / BB or Markers / Flip charts |

**9. SUMMARY OF TIME NEEDED**

Lectures 30 hrs

Tutorials 30 hrs

**10. COURSE ASSESSMENT:**

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| Continuous assessment (Quizzes): | There will be 3 Quizzes arising from tutorials and assignments during week 5, 10 and 15 of the semester | 20% |
| Continuous assessment  | Students will write 2 continuous assessments test | 10% |
| Assignments  | Students will have to do 2 assignments | 10% |
| University Examination: | Final examination during week 16-17 of the semester | 60% |