Syllabus

Fundamental principles of economics emphasizing the roles and decision-making of the industry, firm and individual. To better illustrate this, the instructor uses many real-world business examples.

Course Objectives:
Enable the student to analyze basic microeconomic issues and develop of basic understanding of:
1. How a “market economy” works, and gives incentives to buyers and sellers
2. How supply and demand are determined, how they change, and how markets reach equilibrium
3. How buyers determine how much they want to buy, and are willing to pay
4. How sellers set prices, determine output, and purchase resources
5. How various market structures can affect sellers’ behavior
6. How and why government might intervene in specific markets

Textbook:

Student Evaluation:
Achievement of these objectives will be measured as follows:
- Exam 1: 20%
- Exam 2: 20%
- Homework assignments: 25%
- Class Participation & Attendance: 10%
- Final Exam: 25%

Class Format:
The class will consist of weekly lectures, class discussion, and review of the assigned reading and assigned homework questions. It is vital that students read the class assignments and complete the homework assignments, in order to keep up with the class and participate in class discussion. In general, a typical class routine will be:
1. Review of homework, and clarifications of previous lectures/reading.
2. Lecture relating to the new assigned reading.
3. Class discussion of the new assigned reading and lecture.
Student Evaluation

Evaluation

- Examinations will consist mostly of multiple-choice questions. Other types of questions may be included, such as short essay questions, however these will comprise only a small portion of the exam.  
- The homework is mandatory, and must be turned in by the assigned time. Late assignments are not accepted. Do NOT wait until the very last minute, in case something happens to the computer or your internet connection. Plan on spending at least an hour or two to complete these assignments.
- The class participation grade will be based on a student’s preparedness and willingness to discuss the homework assignments and assigned readings, and his/her overall contribution to class discussions. The instructor may assign some homework problems out of the book; these will be discussed in class, and will be part of your class participation grade.
- Grades will typically be scored on a scale of: 90-100 = A; 80-89 = B; 70-79 = C, 60-69 = D; < 60 = F. However, the instructor may use a grading curve, which will only improve (never reduce) students’ scores. This curve will apply to the final grades only, however the instructor will explain how the curve might apply to individual exams.
- Provisions for missed exams may be made for extraordinary situations, on a case by case basis, at the instructor’s sole discretion. Students who may miss an exam should make every effort to inform the instructor prior to the exam.

Attendance

Regular class attendance is expected, and poor attendance may reduce a student’s class participation grade. Students are responsible for material missed due to absence and it is their responsibility to consult with the instructor on such matters. The student is responsible for formal withdrawal from the course should such action be required. However, if the student has missed more than six (6) hours of class before the official withdrawal date, has not given the instructor written notice of their intention to complete the course requirements, and does not attend class and take examinations after the withdrawal date, the student will be dropped from the class and receive a W.

Academic Honesty

Cheating in any form will not be tolerated. Any student discovered cheating on an examination will be dropped from the course and receive an F, and if deemed necessary, the matter will be forwarded through the channels prescribed in the SGT Student Handbook.
Course Descriptions

What is Economics?
It provides students with basic definitions of terms such as economics, the invisible hand, and market structure. In addition it serves as a “tour d’horizon” of economics, explaining the difference between microeconomics and macroeconomics.

Weeks 1 & 2
Supply and Demand
It provides students with the basic analytical tools they need to understand how markets work, tools that are common to microeconomics and macroeconomics.

Weeks 3 & 4
Individuals and Markets
Through examples such as a market for used textbooks and eBay, students learn how markets increase welfare in consumer and producer surplus.

Weeks 6 & 7
The Producer
There is an extensive discussion of the production function, the various cost measures of the firm, and the difference between average cost and marginal cost. The course explains the output decision of the perfectly competitive firm.

Weeks 9 & 10
The Consumer
There is a simple, intuitive exposition of the budget line, the optimal consumption choice, diminishing marginal utility, and income and substitution effects and their relationship to market demand.

Weeks 11
Market Structure: Beyond Perfect Competition
There are a full treatment of monopoly, oligopoly, and monopolistic competition.

Weeks 12 & 13
Microeconomic and Public Policy
This covers externalities, public goods, common resources, taxes, social insurance, and income distribution.

Weeks 14 & 15
What is Economics?

Topic Summary

It provides students with basic definitions of terms such as economics, the invisible hand, and market structure. In addition it serves as a “tour d’horizon” of economics, explaining the difference between microeconomics and macroeconomics.

Weeks 1 & 2

**Topic 1:**
1. A set of principles for understanding the economics of individual choice.
2. A set of principles for understanding how individual choices interact.

**Topic 2:**
1. Why models—simplified representation of reality—play a crucial role in economics.
2. Three simple but important models: the production possibility frontier, comparative advantage, and the circular-flow diagram.
3. The difference between positive economics, which tries to describe the economy and predict its behavior, and normative economics, which tries to prescribe economic policy.

**Homework:**
- Chapter I– Ex.1 (p.18)
- Chapter I– Ex.3 (p.18)
- Chapter I– Ex.5 (p.19)
- Chapter I– Ex.8 (p.19)
- Chapter I– Ex.9 (p.19)
- Chapter I– Ex.12 (p.19)
- Chapter II– Ex.1 (p.38)
- Chapter II– Ex.2 (p.38)
- Chapter II– Ex.5 (p.39)
- Chapter II– Ex.7 (p.39)

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Supply and Demand

Topic Summary
It provides students with the basic analytical tools they need to understand how markets work, tools that are common to microeconomics and macroeconomics.

Weeks 3 & 4

**Topic 3:**
1. What a competitive market is and how it is described by supply and demand model
2. What the demand curve is and what the supply curve is
3. The difference between movements along a curve and shifts of a curve
4. How the supply and demand curves determine a market's equilibrium price and equilibrium quantity
5. In the case of a shortage or surplus, how price moves the market back to equilibrium

**Homework:**
- Chapter III— Ex.1 (p.79)
- Chapter III— Ex.2 (p.79)
- Chapter III— Ex.4 (p.79)
- Chapter III— Ex.5 (p.80)
- Chapter III— Ex.6 (p.80)
- Chapter III— Ex.11 (p.81)
- Chapter III— Ex.15 (p.81)
- Chapter V— Ex.1 (p.131)
- Chapter V— Ex.3 (p.132)
- Chapter V— Ex.10 (p.133)
- Chapter V— Ex.12 (p.133)

**Exam 1 Preparation**

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Individuals and Markets

Topic Summary
Through examples such as a market for used textbooks and eBay, students learn how markets increase welfare in consumer and producer surplus.

Weeks 6 & 7

Topic 5:
1. The meaning of consumer surplus and its relationship to the demand curve.
2. The meaning of producer surplus and its relationship to the supply curve.
3. The meaning and importance of total surplus
4. How to use changes in total surplus to measure the deadweight loss of taxes.

Homework:
• Chapter VI— Ex.1 (p.157)
• Chapter VI— Ex.2 (p.157)
• Chapter VI— Ex.6 (p.158)
• Chapter VI— Ex.8 (p.158)
• Chapter VI— Ex.10 (p.159)
• Chapter VI— Ex.11 (p.159)
• Chapter VII— Ex.1 (p.178)
• Chapter VII— Ex.2 (p.178)
• Chapter VII— Ex.6 (p.179)
• Chapter VII— Ex.8 (p.179)
• Chapter VII— Ex.10 (p.180)

Exam 2 preparation

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The Producer

Topic Summary
There is an extensive discussion of the production function, the various cost measures of the firm, and the difference between average cost and marginal cost. The course explains the output decision of the perfectly competitive firm.

Weeks 9 & 10

**Topic 7:**
1. The importance of the firm’s production function
2. Why production is often subject to diminishing returns to inputs
3. What the various forms of a firm’s costs are and how they generate the firm’s marginal and average cost curves
4. Why a firm’s costs may differ in the short run versus the long run
5. How the firm’s technology of production can generate economies of scale

**Topic 8:**
1. The meaning of perfect competition
2. How a price-taking producer determines its profit maximizing quantity of output
3. How to assess whether or not a producer is profitable and why an unprofitable producer may continue to operate in the short run
4. Why industries behave differently in the short run and the long run

**Homework:**
- Chapter VIII— Ex.1 (p.203)
- Chapter VIII— Ex.2 (p.203)
- Chapter VIII— Ex.4 (p.204)
- Chapter VIII— Ex.8 (p.204)
- Chapter VIII— Ex.11 (p.205)
- Chapter VIII— Ex.12 (p.205)
- Chapter IX— Ex.4 (p.228)
- Chapter IX— Ex.5 (p.228)
- Chapter IX— Ex.6 (p.228)
- Chapter IX— Ex.10 (p.229)
- Chapter IX— Ex.11 (p.229)

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The Consumer

Topic Summary
There is a simple, intuitive exposition of the budget line, the optimal consumption choice, diminishing marginal utility, and income and substitution effects and their relationship to market demand.

Weeks 11

Topic 9:
1. The consumers choose to spend their income on goods and services
2. Why consumers make choice by maximizing utility
3. Why the principle of diminishing marginal utility applies to the consumption of most goods and services
4. How to use marginal analysis to find the optimal consumption bundle
5. What income and substitution effects are

Homework:
- Chapter X—Ex.1 (p.250)
- Chapter X—Ex.2 (p.250)
- Chapter X—Ex.3 (p.250)
- Chapter X—Ex.4 (p.250)
- Chapter X—Ex.5 (p.250)
- Chapter X—Ex.6 (p.251)
- Chapter X—Ex.8 (p.251)
- Chapter X—Ex.9 (p.252)
Market Structure

Topic Summary

There is an extensive discussion of the production function, the various cost measures of the firm, and the difference between average cost and marginal cost. The course explains the output decision of the perfectly competitive firm.

Weeks 12 & 13

**Topic 10:**
1. The significance of monopoly
2. How a monopolist determines its profit-maximizing output and price
3. The difference between monopoly and perfect competition
4. What price discrimination is

**Homework:**
- Chapter XIV— Ex.3 (p.359)
- Chapter XIV— Ex.4 (p.360)
- Chapter XIV— Ex.6 (p.360)
- Chapter XIV— Ex.7 (p.360)
- Chapter XIV— Ex.10 (p.361)
- Chapter XV— Ex.1 (p.385)
- Chapter XV— Ex.4 (p.385)
- Chapter XV— Ex.5. (p.386)
- Chapter XV— Ex.7 (p.386)
- Chapter XV— Ex.9 (p.387)
- Chapter XVI— Ex.1 (p.404)
- Chapter XVI— Ex.3 (p.404)
- Chapter XVI— Ex.4 (p.404)
- Chapter XVI— Ex.6 (p.404)

**Topic 11:**
1. The meaning of oligopoly
2. Why oligopolists have an incentive to act in ways that reduce their combined profit
3. How our understanding of oligopoly can be enhanced by using game theory
4. How oligopoly works under the legal constraints of antitrust policy

**Topic 12:**
1. The meaning of monopolistic competition
2. Why oligopolists and monopolistically competitive firms differentiate their products
3. Why monopolistic competition poses a trade-off between lower prices and greater product diversity
4. The economic significance of advertising and brand names

**Homework:**
- Chapter XV— Ex.1 (p.386)
- Chapter XV— Ex.7 (p.386)
- Chapter XVI— Ex.1 (p.404)
- Chapter XVI— Ex.3 (p.404)
- Chapter XVI— Ex.4 (p.404)
- Chapter XVI— Ex.6 (p.404)

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Microeconomic and Public Policy

Topic Summary
This covers externalities, public goods, common resources, taxes, social insurance, and income distribution.

Weeks 14 & 15

**Topic 13:**
1. What externalities are and why they can lead to inefficiency in a market economy
2. The difference between negative and positive externalities
3. The importance of the Coase theorem
4. Why some government policies to deal with externalities

**Homework:**
- Chapter XIX—Ex.2 (p.473)
- Chapter XIX—Ex.3 (p.473)
- Chapter XIX—Ex.5 (p.473)
- Chapter XIX—Ex.7 (p.473)
- Chapter XX—Ex.2 (p.490)
- Chapter XX—Ex.4 (p.490)
- Chapter XX—Ex.5 (p.491)
- Chapter XX—Ex.8 (p.491)
- Chapter XXI—Ex.4 (p.517)
- Chapter XXI—Ex.5 (p.517)
- Chapter XXI—Ex.6 (p.518)
- Chapter XXI—Ex.7 (p.518)

**Review**
Final Exam preparation

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