

## 30608 - Microeconomics I

### Información del Plan Docente

<b>Academic Year</b>	2016/17
<b>Academic center</b>	109 - Facultad de Economía y Empresa
<b>Degree</b>	432 - Joint Law - Business Administration and Management Programme
<b>ECTS</b>	6.0
<b>Course</b>	2
<b>Period</b>	First semester
<b>Subject Type</b>	Compulsory
<b>Module</b>	---

### 1. Basic info

#### 1.1. Recommendations to take this course

In order to follow the course optimally, a previous basic knowledge of "Microeconomics I", "Mathematics I" and "Mathematics II" is highly recommended.

#### 1.2. Activities and key dates for the course

This course is offered during the first semester, which runs between September and January. The official timetable for the final exams can be found on: [http://fecem.unizar.es/secretaria/horarios\\_examenes.html](http://fecem.unizar.es/secretaria/horarios_examenes.html)

Dates of partial exams will be announced in each group and dates of final exam can be found on:

[http://fecem.unizar.es/secretaria/horarios\\_examenes.html](http://fecem.unizar.es/secretaria/horarios_examenes.html)

### 2. Initiation

#### 2.1. Learning outcomes that define the subject

The student, in order to pass the course, will have to show her/his competence in the following skills:

Describe, identify and explain the market structure according to the type of competition and the theoretical foundations in the market, in both the short and the long run, by identifying the economic agents' behaviour and using the basic terminology in economics correctly.

Formulate and solve the market equilibrium by using verbal reasoning, visual representations and mathematical analysis (elemental calculus and algebra), for different time spans and market structures, at an intermediate level. Be able to calculate the economic agents' surpluses and the welfare generated at equilibrium.

Reasonably predict and quantify the changes in the equilibrium and the social welfare as a result of changes in agents' behaviour (comparative statics), at an intermediate Microeconomics level.

Carry out normative analysis, design government economic policies and predict and quantify the effects of these policies

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on the equilibrium and social welfare, at an intermediate Microeconomics level.

Recognize the importance of competitive general equilibrium models and their implications on the efficiency of markets. Analyze the economic consequences of market failures (asymmetric information, externalities and public goods)

Learn autonomously and produce written reports according to established guidelines.

### 2.2.Introduction

Brief presentation of the course

Microeconomics II is the second economic theory course in the curriculum and constitutes a major building block in the student's formation as an economist. Together with Microeconomics I, it provides a global picture of the basic knowledge in Microeconomics that the student must acquire, developing the contents studied in Microeconomics I. The course is structured in three parts. The first and second parts analyze the aggregate economic behaviour of the agents operating in both perfect and imperfect competitive markets. The third part studies the exchange economy and market failures.

The tools that will be employed in the analysis are verbal reasoning, visual representations and mathematical analysis.

### 3.Context and competences

#### 3.1.Goals

The expected results of the course respond to the following general aims

- To build the theoretical foundations of market structures under both perfect and imperfect competitive markets.
- To provide the student with the skills needed to understand and analyse the economic efficiency and social welfare achieved in markets.
- To design and evaluate the different economic policies available and analyse their consequences.
- To acquire basic knowledge on general equilibrium and market failures that will be developed later on in more advanced subjects.

#### 3.2.Context and meaning of the subject in the degree

Microeconomics II, together with Microeconomics I, offer a global vision of the basic knowledge of microeconomic theory that every graduate should have acquired. It provides the basic tools to study economic reality from the perspective of economic theory and it is crucial for developing other subjects.

In order to achieve the learning outcomes optimally, it is highly recommendable that students have previously taken subjects such as "Mathematics I", Mathematics II and Microeconomics I. The first two subjects provide the analytical tools required for the course, the third provides the basic concepts related to market theory and the behaviour of economic agents. All this constitutes the necessary input to solve the questions formulated in Microeconomics II.

Moreover, Microeconomics II also provides several necessary elements for developing other subjects within economic theory (Macroeconomics I and II) and other related fields like marketing and market research, economic policy, strategic management, business organizations and also Law, History, Sociology and Statistics.

### **3.3.Competences**

After completing the course, the student will be competent in the following skills:

#### SPECIFIC SKILLS

- 1.- To evaluate the situation and the previous evolution of firms and organizations, and to be able to acquire the relevant knowledge for taking informed decisions successfully.
- 2.- To produce assessments of particular market situations, sectors, organizations, companies and their functional areas.
- 3.- To understand and apply professional criteria and scientific standards to the solution of economic, business and organizational problems.

#### GENERAL COMPETENCIES

- 4.- To be able to solve problems.
- 5.- To be able to analyze and synthesize relevant information.
- 6.- To be able to apply knowledge in practice

### **3.4.Importance of learning outcomes**

- Allow the student to design and resolve economic problems following the appropriate economic methods.
- Provide the necessary analytical tools to accurately and rigorously understand economic reality.
- Provide the verbal reasoning, visual representations and mathematical analysis needed to analyze and understand the operation of markets and the economy.
- Provide objective tools for a normative analysis with the aim of planning government policies for the markets and predict their effects.
- Develop the students' abilities for their future professional life, especially in Studies and Planning Services, Economic Consulting, Public Administration, Teaching and Research.

### **4.Evaluation**

The student will prove that he/she has achieved the expected learning results by means of the following assessment tasks:

Evaluation criteria:

The student will:

- \* Know and understand the concepts contained in the course.
- \* Apply the techniques of Economic Analysis correctly.
- \* Select important information and interpret it appropriately.
- \* Express his/her reasoning in a clear and orderly manner.

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The student will prove the achievement of the expected learning outcomes by means of the following assessment tasks:

1. A final global exam that evaluates the knowledge of microeconomics covered in the course program. This exam will be in two sections, a theoretical/practical section and a section consisting of practical exercises. These sections will score 60% and 40% of the final mark, respectively.
2. Completion of voluntary partial exams, which will take place during class time and will evaluate both the theoretical and practical parts of the subject.

### Marking

The final mark is obtained as the highest of the following:

1. The mark achieved in the final exam after the teaching period.
2. The figure resulting from weighting the average mark of the voluntary partial exams (40%) with the mark of the final exam after the teaching period (60%).

## 5. Activities and resources

### 5.1. General methodological presentation

The learning process that has been designed for this course is based on the following activities:

1. Participative lectures. The professor will explain the basic course content. The student must supplement the explanations with the recommended reading.
2. Practical classes. Students will solve practice exercises, always under the supervision of the professor. This will be done in smaller groups to facilitate the participation of each student.

### 5.2. Learning activities

The programme offered to the students to help them achieve the learning results includes the following activities :

#### 1. Lectures:

- Credits 1.2.
- Methodology: Class attendance and participative problem-solving.

#### 2. Practical classes:

- Credits: 1.2
- Methodology: Class attendance, problem-solving and case studies.

#### 3. Tutorials and seminars:

- Credits: 0.6
- Methodology: Tutorial and complementary activities.

#### 4. Personal work:

- Credits: 3
- Methodology: Problem-solving. Use of ICTs. Preparation of assignments and exams.

## Syllabus

**Lesson 1: Introduction to market theory**

- 1.1. Objectives of market theory
- 1.2. Theory of the firm: Basic concepts
- 1.3. Profit maximization and market structure

**Part I: The analysis of competitive markets****Lesson 2: Equilibrium in competitive markets**

- 2.1. Characteristics of competitive markets
- 2.2. Marginal revenue and marginal cost. The firm's demand curve
- 2.3. Profit maximization and short-run supply curve
- 2.4. Short-run competitive market equilibrium
- 2.5. Long-run supply curve
- 2.6. Long-run market equilibrium

**Lesson 3: The analysis of competitive markets**

- 3.1. Consumer and producer surplus
- 3.2. Welfare: efficiency in a competitive market
- 3.3. Government intervention by means of price controls and production quotas
- 3.4. Government intervention by means of taxes, subsidies and tariffs

**Part II: Market Power****Lesson 4: Monopoly theory**

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4.1. Introduction: market power

4.2. Equilibrium and market power in monopolies

4.3. Welfare: the social costs of market power

4.4. Government intervention by means of taxes, subsidies and regulation

4.5. Pricing with market power

### **Lesson 5: Oligopoly theory**

5.1. Oligopoly and strategic interaction

5.2. Introduction to Game Theory: Nash equilibrium

5.3. Simultaneous competition in quantities: Cournot model

5.4. Simultaneous competition in prices: Bertrand paradox

5.5. Solutions to Bertrand paradox: product differentiation and collusion

5.6. Sequential competition: Stackelberg model

5.7. Welfare in oligopolies

## **Part III: Exchange economies: information, market failures and the role of government**

### **Lesson 6. General competitive equilibrium and welfare**

6.1. General equilibrium analysis

6.2. Efficiency in exchange

6.3. General equilibrium with production: welfare theorems

6.4. Why markets fail?

### **Lesson 7. Market failures**

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7.1. Markets with asymmetric information

7.2. Externalities and its correction

7.3. Common property resources

7.4. Public goods

### **5.3.Program**

#### **5.4.Planning and scheduling**

Calendar of actual sessions and presentation of works

It has been estimated that a student will spend an average of 150 hours of effective work for optimally preparing this course. These hours include both class-work and attendance and homework/exam preparation. The student is strongly recommended to distribute this preparation time evenly throughout the term.

#### **Timetable**

#### **5.5.Bibliography and recommended resources**