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UNIVERSITAT POLITÈCNICA
DE CATALUNYA
BARCELONATECH

COURSE OUTLINE 2019-20

MICROECONOMICS

July 2019

GENERAL INFORMATION

Course:	MICROECONOMICS
Code:	801104 (ADE)
School year:	2019-20
Degree:	Grado en Administración y Dirección de Empresas
ECTS credits:	6
Prerequisites:	No prerequisites are required
Year and semester:	3rd year, 1st semester
Last revision:	July 2019
Course coordinator:	Dra. Cristina Lopez-Mayan

1 COURSE DESCRIPTION

The main objective of this course is that you understand how economic agents make decisions and the consequences of these decisions. You will learn the basic economic models behind the market demand (Consumer Theory) and the market supply (Production Theory). The Consumer Theory explains how consumers allocate their income to the purchase of goods and services according to their preferences and how these decisions change with prices and income. The Production Theory describes how a firm makes profit-maximizing production decisions and how these decisions change with the price of the product and the costs of inputs. You will also learn how production decisions change with the different market structures (perfect competition, monopoly and oligopoly).

To achieve these objectives, you will learn the basic tools of microeconomic analysis. The learning methodology will rely on both the conceptual and graphical development of the basic microeconomic models.

2 COMPETENCES

On successful completion of this course, you will be able to:

- Analyze the forces that affect firm's supply and consumer's demand.
- Apply mathematical tools to analyze complex economic-business situations.
- Identify the processes that govern the functioning of markets in different competition regimes.
- Understand certain business decisions, such as price discrimination.
- Clearly expressing ideas or facts in a compelling way.
- Capacity for independent learning in the future, gaining more profound knowledge of previous areas or learning new topics.

3 CONTENT

UNIT 1: Introduction to Microeconomics

1.1 Introduction

1.2 Types of market structure

1.3 Supply, demand and market equilibrium

1.4 Consumer and Producer Surplus

1.5 Price-elasticity

1.6 Government interventions in the market: price controls and taxes

Appendix: Review of basic concepts

Learning outcomes

- Solving and analyzing the market equilibrium.
- Analyzing the efficiency of perfectly competitive markets.
- Understanding the effects of the government intervention.
- Understanding the concept of price-elasticity and applying it to analyze different market situations.

UNIT 2: Consumer behavior

2.1 Preferences and utility (happiness)

2.2 Indifference curves

2.3 Budget constraint

2.4 Optimal consumption

2.5 From preferences to the demand curve

Learning outcomes

- Obtaining optimal consumption basket given consumer's preferences and budget constraint.
- Applying the basic consumer theory to obtain the market demand.
- Understanding the forces behind the individual and the market demand curves.

UNIT 3: Production and Costs

3.1 The production function

3.2 Costs: fixed and variable costs; marginal cost; average cost

Learning outcomes

- Deriving the firm's production function.
- Calculating total costs, average costs and marginal cost.

UNIT 4: Firm behavior under perfect competition

4.1 Profit maximization

4.2 Deriving the supply curve

Learning outcomes

- Obtaining the optimal production choice under perfect competition.
- Applying the basic firm theory to derive the individual and the industry supply curves.
- Understanding the forces behind the individual and the market supply curves.
- Analyzing the break-even and shut down decisions of a firm operating in a competitive market.

UNIT 5: Efficiency of competitive markets

5.1 Measuring efficiency

5.2 Market failures

5.3 Externalities

5.4 Public and common goods

Learning outcomes

- Analyzing the efficiency of competitive markets.
- Understanding the limitations of competitive markets and the efficiency losses when the market fails.
- Understanding the need for the government intervention when the market fails and the effects of the intervention.

UNIT 6: Firm behavior under imperfect competition

6.1 Monopoly and sources of market power

6.2 The monopolist's optimal decision

6.3 Inefficiency and Antitrust policy

6.4 Oligopoly

Learning outcomes

- Characterizing and understanding non-competitive markets, such as monopoly and oligopoly.
- Deriving the optimal production and the supply curve in a monopolistic market.
- Understanding the incentives to collude in an oligopoly.
- Understanding the efficiency losses imposed by monopoly and oligopoly and the role of the antitrust policy.

4 LEARNING METHODOLOGY

The learning methodology is based in the following activities:

Lectures: the lecturer introduces and explains the concepts and the graphical analysis corresponding to each topic. It is highly advisable to read in advance the recommended chapters of the textbook.

Problems and exercises: in-class activities dedicated to problem solving.

5 GRADING

The final mark (FM) of the course is computed as follows:

FM = Mark from final exam x 60% + Mark from continuous assesment x 40%

- The final exam has two attempts.
- To compute the FM the student must obtain at least 40 points of 100 in the final exam.
- The student passes the course if the FM is equal to or higher than 50 points of 100.
- The schedule of the activities included in the continuous assesment will be announced in the Campus and in class at the beginning of the semester.

6 REFERENCES

- KRUGMAN PAUL, y WELLS ROBIN (2012): Microeconomics, Third edition, Worth Publishers.
- PINDYCK, R.S. y RUBINFELD, D.L. (2001): Microeconomía (5ª edición), Prentice Hall, Madrid.
- VARIAN, H. R. (2002): Microeconomía intermedia. Un enfoque moderno (5ª edición), Antoni Bosch Editor S.A., Barcelona. (www.sims.berkeley.edu/~hal/)
- The instructor may recommend additional readings or materials in class and through the Campus.