



centro adscrito a:



UNIVERSITAT POLITÈCNICA
DE CATALUNYA
BARCELONATECH

COURSE OUTLINE

Microeconomics

2021-22

GENERAL INFORMATION

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| Course: | Microeconomics |
| Code: | 801104 (ADE) |
| School year: | 2021/2022 |
| Degree: | Grado en Administración y Dirección de Empresas |
| ECTS credits: | 6 |
| Prerequisites: | It is recommended that students have passed Introduction to Economics |
| Year and semester: | Third year, first semester |
| Last revision: | September 2021 |
| Course coordinator: | Dr. Angel Juan/Dr. Soran Mohtadi/Dr. Sara Hatami |

1. COURSE DESCRIPTION

This course covers topics in microeconomics. The course presents factual material concerning the operation of the firm and household as well as the development of rudimentary understanding of economic decision-making. The course focuses on how individuals make decisions that affect their income and wealth, how firms make decisions that affect profits and production, and how government regulation affects individuals and firms.

2. COURSE OBJECTIVES

Competences – at the end of the course the learner will have acquired the responsibility and autonomy to:

- Understand the basic mechanism by which the economic system works, including various approaches to the organisation of production and the allocation of resources

- Relate the basic economic theory and principles to current microeconomic issues and evaluate related public policy
- Communicate knowledge and understanding of economic issues using written, verbal and visual expression
- Have a lifelong ability to study economics and the broader social consequences of economic decision-making
- Work in a team and collaborate

Skills – at the end of the course the learner will have acquired the following skills:

- Explain the role of scarcity, specialization, opportunity cost and cost/benefit analysis in economic decision-making
- Identify the determinants of supply and demand; demonstrate the impact of shifts in both market supply and demand curves on equilibrium price and output
- Calculate supply and demand elasticities, identify the determinants of price elasticity of demand and supply, and demonstrate the relationship between elasticity and total revenue
- Identify the four market structures by characteristics; calculate and graph the profit maximizing price and quantity in the output markets by use of marginal analysis
- Determine the profit maximizing price and quantity of resources in factor markets under perfect and imperfect competition by use of marginal analysis
- Describe governmental efforts to address market failure such as monopoly power, externalities, and public goods

3. CONTENT

UNIT 1: Introduction to Microeconomics

- 1.1 Course Overview
- 1.2 What is Economics?

- 1.3 The Scope of Economics
- 1.4 Understanding Microeconomics
- 1.5 key Ideas in Economics
- 1.6 The Economist Toolkit
- Appendix: Using Graphs in Economics

Learning outcomes

- Identify key reasons to study economics.
- Understanding opportunity costs or the principle of efficient markets could make a difference in your decision making.
- Analyzing key ideas in Economics
- Describe microeconomics, macroeconomics, and the difference between them
- Check the role of graphs in Economics
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UNIT 2: The Economic Problem: Scarcity and Choice

- 2.1 Scarcity, Choice, and Opportunity Cost
- 2.2 Scarcity and Choice for a Single Firm
- 2.3 Scarcity and Choice for the Entire Society
- 2.4 The Concept of Efficiency
- 2.5 The Three Coordination Tasks of any Economy
- 2.6 Specialization Fosters Efficient Resource Allocation
- 2.7 Specialization Leads to Exchange
- 2.8 Markets, Prices, and the Three Coordination Tasks

Learning outcomes

- Understand why even in a society in which one person is better than a second at all tasks, it is still beneficial for the two to specialize and trade.
- Understand the central difference in the way command economies and market economies decide what is produced.

UNIT 3: Demand and Supply

- 3.1 The Invisible Hand
- 3.2 Demand and Quantity Demanded
- 3.3 Supply and Quantity Supplied
- 3.4 Supply and Demand Equilibrium

- 3.5 Effects of Demand Shifts on Supply-Demand Equilibrium
- 3.6 Effects of Supply Shifts on Supply-Demand Equilibrium
- 3.7 Fighting the Invisible Hand: The Market Fights Back

Learning outcomes

- Understand the roles of firms, entrepreneurs, and households in the market.
- Understand the role of households as both suppliers to firms and buyers of what firms produce.
- Understand what determines the position and shape of the demand curve and what factors move you along a demand curve and what factors shift the demand curve.
- Be able to distinguish between forces that shift a supply curve and changes that cause a movement along a supply curve.
- Be able to explain how a market that is not in equilibrium responds to restore an equilibrium.

UNIT 4: The Market system: Household behavior and Consumer Choice

- 4.1 Scarcity and Demand
- 4.2 Utility: A Tool to Analyze Purchase Decisions
- 4.3 Consumer Choice as a Trade-off: Opportunity Cost
- 4.4 From Individual Demand Curves to Market Demand Curves
- 4.5 Exceptions to the Law of Demand
- 4.6 Indifference Curve Analysis

Learning outcomes

- Explain where the budget constraint comes from and the role it plays in household demand.
- Understand how the utility maximizing rule works in household choice of products.
- Describe the income and substitution effects
- Discuss factors that affect the labor and saving decisions of households.

UNIT 5: Demand and Elasticities

- 5.1 Elasticity: The Measure of Responsiveness
- 5.2 Price Elasticity of Demand: Its Effect on Total Revenue and Total Expenditure

- 5.3 What Determines Demand Elasticity?
- 5.4 Elasticity as a General Concept
- 5.5 Changes in Demand: Movements Along the Demand Curve vs Shifts in the Demand Curve
- 5.6 The Time Period of the Demand Curve and Economic Decision Making

Learning outcomes

- Understand why elasticity is preferable as a measure of responsiveness to slope and how to measure it.
- Calculate elasticities using several different methods and understand the economic relationship between revenues and elasticity.
- Identify the determinants of demand elasticity.

UNIT 6: Hot Topics in Microeconomics

- 6.1 The minimum wage
- 6.2 Inflation
- 6.3 Technology change
- 6.4 Green economy
- 6.5 Home ownership
- 6.6 Brexit and its challenges
- 6.7 Job security

UNIT 7: Production: Inputs and Costs

- 7.1 Short-run versus long-run costs
- 7.2 Production, input choice and cost with one variable input
- 7.3 Multiple input decision
- 7.4 Cost and its dependence on input
- 7.5 Economies of scale

Learning outcomes

- Understand the importance of opportunity costs to economic profits and how these profits feed into firm decision making.
- Discuss the factors that firms consider when choosing among production techniques.
- Be able to describe and graph the major components of firm cost.
- Discuss how revenues and costs affect the profit maximizing levels of output in perfectly competitive firms.

- Discuss how short-run conditions affect a firm's short-run and long-run behavior.
- Explain the causes and effects of economies and diseconomies of scale.

UNIT 8: The Importance of Marginal Analysis

- 8.1 Price and Quantity: One decision, not two
- 8.2 Total Profit: Keep your eye on the goal
- 8.3 Economic profit and optimal decision making
- 8.4 Marginal analysis and maximization of total profit

Learning outcomes

- Understand the Economic profit
- be able to calculate the total, average and marginal costs
- find the optimal level of output
- understand the logic behind the marginal analysis
- be able to think at the margin

UNIT 9: The Firm and the Industry under Perfect Competition

- 9.1 Perfect competition defined
- 9.2 The perfectly competitive firm
- 9.3 The perfectly competitive industry
- 9.4 Perfect competition and economic efficiency

Learning outcomes

- Understand the definition of perfect competition
- determine a perfectly competitive firm and industry
- understand economic efficiency in a perfect competition

UNIT 10: Monopoly

- 10.1 Monopoly defined
- 10.2 The monopolistic supply decision
- 10.3 Can anything good be said about monopoly?

10.4 Price discrimination under monopoly

Learning outcomes

- Explain the fundamentals of imperfect competition and market power.
- Discuss revenue and demand in monopolistic markets.
- Explain the source of the social costs for a monopoly.
- Discuss the conditions under which we find price discrimination and its results.

UNIT 11: Between monopoly and competition

11.1 Monopolistic competition

11.2 Oligopoly

Learning outcomes

- Identify the characteristics of a monopolistically competitive industry.
- Discuss price and output determination for monopolistically competitive firms.
- Describe the structure and characteristics of oligopolistic industries

UNIT 12: The Market Mechanism: Shortcomings and Remedies

12.1 Efficient resource allocation and pricing

12.2 Scarcity and the need to coordinate economic decisions

12.3 What does the market do poorly?

12.4 Efficient resource allocation

12.5 Provision of public goods

12.6 Some other sources of market failure

Learning outcomes

- Understand the market failure associated with externalities and the possible solutions to this set of issues.
- Discuss the characteristics and provision of public goods.
- Understand why the market undersupplies common resources.

4. LEARNING METHODOLOGY

The learning methodology is based in:

- a) 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 (see the planning of the course available in the Campus Euncet online classroom).
- b) Problems: in-class activities dedicated to problem solving. The purpose is to reinforce the learning of the theoretical concepts. Students will solve one problem set per unit.

All teaching material will be available in the Campus Euncet online classroom of the course.

5. GRADING

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

FM = Mark from final exam x 40% + Mark from continuous assessment (Team assignment lab / homework) x 40% + 20% Mark from Individual class presentations (optional) and active participation in class.

- The final exam has two attempts.
- To compute the FM the student must obtain at least 40 points out of 100 in the final exam.
- The student passes the course if the FM is equal to or higher than 50 points out of 100.
- The schedule of the activities included in the continuous assessment will be available in the Campus Euncet online classroom of the course and will be explained in the first session.

6. REFERENCES

6.1. BASIC

- William J Baumol and Alan S Blinder, "Economics Principles and Policy", Thomson South-Western, 13th or later edition.

6.2. RECOMMENDED

- Case, K., Fair, R., Oster, S. (2012). Principles of Microeconomics, (12th ed.) Pearson..
- Mankiw, G. (2008). Principles of Microeconomics, (5th ed.) Harvard University Press
- Greenlaw, S.A., & Shapiro, D. (2018). Principles of Microeconomics (2nd ed.). Rice University

The instructor may recommend additional topic-specific readings or materials along the semester.