

MASTER IN ECONOMICS

44945 Microeconomics

Fall 2022

Professors: Santiago J. Rubio, Department of Economic Analysis, University of Valencia

Course time-table: Tue 12:30 – 14:10 & Thu 09:00 – 10:40 in class-room 3P17.

Facultad de Economía, Oriental Departmental Building.

Office hours: (by appointment) Thu 10:40 – 13:30 and 14:30 – 17:30 in office 3P02B,

Facultad de Economía, Oriental Departmental Building.

Scope of the course

Microeconomics study how a society allocates scarce resources among alternative uses through the market mechanism. Microeconomics is often called *price theory* to emphasize the important role that prices play in determining market outcomes. In this course, following a partial equilibrium approach, it is explained how prices are determined in a single market by the decentralized decisions of individuals and firms, and what are the properties that a competitive market equilibrium presents. The course is organized in three parts. The first part is devoted to the consumer theory. This part explains how individuals choose the demand of goods. It includes the analysis of price changes on consumer's welfare and an introduction to the choice under uncertainty. In the second part, the focus is on firms' decisions on the production level to supply in the market. The analysis of the firm's behaviour distinguishes between short-run decisions and long-run decisions. In the final part, it is shown that competition maximizes welfare to ends with the analysis of market failures.

Requirements

1st Turn: Problem Sets 20%, Middle-Term Exam 30% and Final Exam 50%. The final exam will celebrate the 10th of January 2023.

2nd Turn: Exam 100%. The exam will celebrate the 9th of June 2023.

Problem sets

Students will have to solve three problem sets. The dates for delivering the problem sets are indicated in the timetable at the end of this syllabus. Each problem set has a value of 0.5 points. The problem set can be done individually or in group. The group cannot consist of more than three students. Inappropriate behaviour will be punished. The middle-term exam will incorporate an exercise corresponding to Problem Set 2 and will have a value of 3.5 points. Assistance to class is mandatory.

Textbooks

Chapters 1 and 2

Gravelle, Hugh and Ray Rees (2004). *Microeconomics*, 3rd ed., Prentice Hall/Financial Times. [G&R]

Chapters 3 and 4

Nicholson, Walter and Christopher Snyder (2017). *Microeconomic Theory: Basic Principles and Extensions*, 12th ed., Cengage [N&S]

An intermediate textbook with examples and applications

Perloff, Jeffrey (2020). *Microeconomics: Theory and Applications with Calculus*, 5th Global ed., Pearson Education. [P]

Other useful references

Jehle, Geoffrey A., and Philip J. Reny (2011). *Advanced Microeconomic Theory*, 3rd ed., Pearson Education.

Kreps, David (2013). *Microeconomic Foundations*, Princeton University Press.

Mas-Colell, Andreu, Michael D. Whinston, and Jerry R. Green (1995). *Microeconomic Theory*, Oxford University Press.

Muñoz-García, Félix (2017). *Advanced Microeconomics Theory. An Intuitive Approach with Examples*, MIT Press.

Nechyba, Thomas J. (2011). *Microeconomics: An Intuitive Approach with Calculus*, South-Western Cengage Learning.

Rubinstein, Ariel (2012). *Lecture Notes in Microeconomic Theory: The Economic Agent*, 2nd ed., Princeton University Press.

Serrano, Roberto, and Allan M. Feldman (2017). *A Short Course in Intermediate Microeconomics with Calculus*, Cambridge University Press.

Varian, H.R. (1992). *Microeconomic Analysis*. 3rd ed., W.W.W. Norton & Co. Existe traducción al castellano: *Análisis Microeconómico*, 3^a ed., Antoni Bosch.

Course outline

1 Consumer theory I

- 1.A Preferences and utility
- 1.B The feasible set and the consumption decision
- 1.C The comparative statics of consumer behaviour
- 1.D The expenditure function

2 Consumer theory II

- 2.A Duality theory and the Slutsky equation
- 2.B Measuring the benefits of price changes
- 2.C Revealed preference and price indices
- 2.D Choice under uncertainty: the expected utility theory

3 The theory of a competitive market

- 3.A The production function
- 3.B Short-run and long-run costs
- 3.C Short-run competitive equilibrium
- 3.D Long-run competitive equilibrium

4 Economic efficiency and market failures

- 4.A The efficiency of competitive markets
- 4.B Firms with market power: the case of the monopoly
- 4.C Externalities and public goods
- 4.D Asymmetric information

Timetable (including exercises for each subject)

WEEK	TUESDAY 12:30 - 14:10	SESSION I	THURSDAY 09:00 - 10:40	SESSION II
1	Sep 27	Cancelled	Sep 29	Cancelled
2	Oct 4	Introduction - 1.A	Oct 6	Cancelled
3	Oct 11	1.A	Oct 13	1.A - 1.B
4	Oct 18	1.C - 1.D	Oct 20	1.D - 2.A
5	Oct 25	2.A - 2.B	Oct 27	2.B Problem Set Chapter 1
6	Nov 1	Festive	Nov 3	2.D
7	Nov 8	3.A	Nov 10	3.A- 3.B
8	Nov 15	12:30 - 14:30 Middle-term Exam + Exercise Chapter 2	Nov 17	3.B - 3.C
9	Nov 22	3.C - 3.D	Nov 24	3.D
10	Nov 29	3.D - 4.A	Dec 1	4.B
11	Dec 6	Festive	Dec 8	Festive
12	Dec 13	4.B Problem Set Chapter 3	Dec 15	4.C
13	Dec 20	4.C	Dec 22	4.D

Problem Set 4 must be delivered the day of the final exam (January 10, 2023)

Classes of 27th and 29th of September are cancelled for attendance at the [Environmental Protection and Sustainability Forum](#), Karl-Franzens University Graz, Austria. The class of 6th of October is cancelled for hospitalization.

These classes will be recovered the 14th (1.B-1.C), 21st (2.A) and 28th (2.C) of October in the room 3P17 from 12:20 to 14:00.