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fall semester 2011

Microeconomics

1. **Introduction to microeconomics. Demand and supply analysis.** Aim of economics. Economic methods. Constrained optimization. Equilibrium analysis. Comparative statics. Demand. Supply. Equilibrium. Shifts in demand and supply. Price elasticity of demand. Other elasticities (income, cross-price, supply). Calculating elasticities.
Readings: Besanko and Braeutigam (2011), chapters 1-2.
2. **Consumer theory I.** Cardinal and ordinal rankings. Representation of preferences. Utility. Perfect Substitutes and Complements. Quasilinear and Cobb-Douglas cases. Marginal utility. Indifference curves.
Readings: Besanko and Braeutigam (2011), chapter 3.
3. **Consumer theory II.** Budget set. Consumer choice. Time-value of money. Revealed preferences. Comparative statics of consumer choice. Income and substitution effects. Demand. Consumer surplus.
Readings: Besanko and Braeutigam (2011), chapters 4-5.
4. **Producer theory I.** Inputs. Production function. Substitution. Returns to scale. Technological progress.
Readings: Besanko and Braeutigam (2011), chapters 6-7.
5. **Producer theory II.** Costs concepts. Cost curves. Costs minimization. Comparative statics. Long run vs. short run. Shephard's Lemma and duality.
Readings: Besanko and Braeutigam (2011), chapter 8.
6. **Perfect competition I.** Profit maximization. Price taking. Fixed and sunk costs. Market supply. Price determination. Economic rent and producer surplus.
Readings: Besanko and Braeutigam (2011), chapter 9.
7. **Perfect competition II.** Applications and market regulation. Caps. Taxes/subsidies. Quotas.
Readings: Besanko and Braeutigam (2011), chapter 10.
8. **Monopoly I.** Profit maximization by monopolist. Marginal revenue. Importance of price elasticity. Lerner index. Barrier to entry. Natural monopoly. Monopsony.
Readings: Besanko and Braeutigam (2011), chapters 11.
9. **Monopoly II.** Welfare. First/second/third degree price discrimination. Theory of price settings. Discounts. Block pricing. Segments. Screening. Tying.
Readings: Besanko and Braeutigam (2011), chapters 12.
10. **Imperfect competition.** Market structure (definitions and measures). Oligopolies. Cournot, Bertrand, Stackelberg. Product differentiation. Monopolistic competition.
Readings: Besanko and Braeutigam (2011), chapter 13.

11. **Game theory.** Analyzing strategic behavior. Static games. Nash equilibrium. Repeated games. Sequential games and strategic moves.
Readings: Besanko and Braeutigam (2011), chapter 14.
12. **Risk and information.** Lotteries and probability. Expected value and variance. Evaluating risk. Bearing and eliminating risks. The value of information. Auctions.
Readings: Besanko and Braeutigam (2011), chapter 15.
13. **General equilibrium.** Price determination. Walras' Law. Comparative statics. Efficiency. Fundamental theorems of welfare economics.
Readings: Besanko and Braeutigam (2011), chapter 16.
14. **Externalities and public goods.** Positive and negative externalities. Efficient provision of public goods. Free rider problem. Coase theorem.
Readings: Besanko and Braeutigam (2011), chapter 17.

This course is a foundation of microeconomic analysis and hence is the basis for your future studies in macroeconomics, public economics or finance. Our basic textbook is Besanko and Braeutigam (2011) but you may read the other covering chosen topics at this level.

To pass the course you need to collect at least 60 points. The maximum score is 100 points (50p for the exam, 36 points for homework and 14p for active participation in tutorials). Those that succeed obtain the grade that is rescaled to the score of the best student.

There would be few homework lists. Homework will be posted on the course webpage, and it is your responsibility to get it from there. Homework is due in class on the due date. Remember that homework is the most valuable part of the course. Always write correct English with complete sentences. You may talk about the problems with other students, but you must write up your own solutions in your own words.

During tutorials you will a) discuss the additional topics that we will not manage to cover during lectures, b) solve some problems that will help you understand the topics and prepare for final. Finally you will also c) discuss solutions/gradings of your homework.

I welcome questions at any time. Please don't hesitate to ask me during class if there is something that you don't understand or that you want to discuss. (The only exception is a question about the grading of your homework or exam paper. Please ask these questions before or after class, or in office hours.) You may also ask questions in office hours, or any other time that you catch me in my office. You may also ask questions by email.

References

BESANKO, D., AND R. BRAEUTIGAM (2011): *Microeconomics. International Student Version*. Wiley.