
Universitat Pompeu Fabra

Microeconomics I (20836)

Syllabus – Spring 2017

Teacher: Fabrizio Germano

Class hours: Monday 11:00 -12.30, Tuesday 11:00 -12:30

Office hours: Monday 17:00 -18:00

Office: 20.147

TA's: Fabrizio Germano

Objective of the course:

The course covers the basic economic models of consumer theory, production theory, and partial equilibrium. The student will learn how to formalize and therefore gain a deeper understanding of economic phenomena. The main goal of this course is that the students learn how to work with these basic economic models of consumption, production and market equilibrium.

Bibliography:

Varian, H. R. *Intermediate Microeconomics*. 7th, 8th or 9th edition

Varian, H. R. *Microeconomía Intermedia*. 7ma, 8va o 9va edición

Course content:

Part One: Consumer Choice and Demand

1. Elements of the problem.
Limits of consumer choice: the budget constraint. Reasons for choice: preferences. Representation of preferences: Utility.
2. The choice. The formal problem of maximization of preferences and derivation of the demand function.
3. Revealed preference and Slutsky equation. Weak and strong axioms of revealed preference. Price indices. The Slutsky equation: Income and substitution effects. Income and substitution effects of Hicks.

- Consumer surplus and market demand. Consumer surplus: Discrete goods and continuous goods. Market demand: Aggregation of individual demands. The elasticity of demand and its relation with income.

Part Two: The Firm and the Supply Function.

- Technology. Technological constraint. Different types of technology. Marginal product and marginal rate of technical substitution. Returns to scale.
- Benefit maximization and cost minimization. The formal problem of profit maximization. The cost minimization problem. Cost functions: marginal cost and average cost.
- Supply curve. The supply function of a competitive firm. The relation of the supply with marginal costs. The producer surplus. Supply curve of an industry.

Part Three: Supply and Demand.

- The equilibrium. Equilibrium in a competitive market. Comparative statics. Taxes and welfare.

Course schedule:

Week	Topics covered in class	Activity outside class
Week 1: <u>April 3 to 7</u> 2 theory classes	Introduction, Consumer Preferences and Utility	<i>Read the theory</i> <i>(Varian 1,3,4)</i> <i>Solve problems</i>
Week 2: <u>April 18 to 21</u> 1 theory classes	Utility and Budget Constraint	<i>Read the theory</i> <i>(Varian, 2,4)</i> <i>Solve problems</i>
Week 3: <u>April 24 to 28</u> 2 theory classes Seminar 1	Consumer Choice and Demand	<i>Read the theory</i> <i>(Varian,5, 6)</i> <i>Solve problems</i>

Week 4: <u>May 2 to 5</u> 1 theory classes	Demand	<i>Read the theory</i> <i>(Varian 6)</i> <i>Solve problems</i>
Week 5: <u>May 8 to 12</u> 2 theory classes Seminar 2	Revealed Preferences and Slutsky Equation	<i>Read the theory</i> <i>(Varian 7,8)</i> <i>Solve problems</i>
Week 6: <u>May 15 to 19</u> 2 theory class Seminar 3: Mock test I	Consumer Surplus Aggregate Demand	<i>Read the theory</i> <i>(Varian 14, 15)</i> <i>Solve problems</i>
Week 7: <u>May 22 to 26</u> 2 theory classes Seminar 4	Technology	<i>Read the theory</i> <i>(Varian 18)</i> <i>Solve problems</i>
Week 8: <u>May 29 to June 2</u> 2 theory classes Seminar 5	Profit Maximization Cost Minimization	<i>Read the theory</i> <i>(Varian 19, 20)</i> <i>Solve problems</i>
Week 9: <u>June 5 to 9</u> 2 theory classes Seminar 6: Mock test II	Cost Curves and Firm Supply	<i>Read the theory</i> <i>(Varian 21, 22)</i> <i>Solve problems</i>
Week 10: <u>June 12 to 16</u> 2 theory classes	Industry Supply Partial Equilibrium	<i>Read the theory</i> <i>(Varian 23, 16)</i> <i>Solve problems</i>

Course evaluation:

Final Exam 85% (a grade of at least 5/10 is required to pass)

Seminars and participation in class 15%

Instructions for the seminars:

- Please take your student ID's so professors can check assistance.
- Please solve the problem sets at home so you are able to discuss or present them in the seminar sessions.