

13C019

Microeconomics

3 ECTS

Overview and Objectives

The course aims at providing students with the basic tools of Microeconomic analysis, while bearing in mind the main objectives of the MCR, EPP, and DS programs. Applications to these areas will be given to illustrate the predictive power of these tools, with the final objective of making policy recommendations.

Course Outline

1. **Consumer theory:** Preferences, budget constraints, choice, utility maximization, demand functions, inverse demand functions, aggregate demand, elasticity
2. **Producer theory:** Technology, production functions, cost minimization, cost functions, returns to scale, long and short-run cost functions
3. **Profit maximization and equilibrium in perfectly competitive markets:** a firm's supply and aggregate supply, short-run and long-run market equilibrium
4. **Welfare analysis:** Consumer and producer surplus, taxes and subsidies, price regulation
5. **Monopoly**
6. **Applications of Consumer Theory:** Equivalent variation and compensating variation versus consumer surplus. Endowment effects: the labor-leisure decision. Approximating preferences via a linear demand function.
7. **Application of monopoly theory:** price discrimination and bundling

Required Activities

Problem set will be distributed regularly. Some selected problems will be graded. Solutions for all problems will be published in the intranet.

Evaluation

Problem sets (20%) and a Final Examination (80%)

Materials

Varian, Hal, *Microeconomic Analysis*, Norton
Mas-Colell-Whinston-Green, *Microeconomic Theory*,
Oxford University Press
Van Zandt, Timothy, *Firms, Prices and Markets*, 2006;
available at <http://faculty.insead.edu/vanzandt>

McAfee, R. Preston, *Introduction to Economic Analysis*,
Version 2.0, 2006;
<http://www.mcafee.cc/Introecon/IEA.pdf>