

14E021

6 ECTS

Microeconomics I

Overview and Objectives

The first part of the course lays down the foundations of modern economic theory. We will start with the classical theory of choice by first describing the preferences and choice set of a decision-maker, the representation of this decision-maker's preferences by way of utility functions, and how such methodology applies to study economic behavior. In particular, we will apply it to model the behavior of a consumer, considering her preferences for different goods and her budget constraints, and the behavior of a firm, studying its production decisions subject to technological constraints. We will close this first part of the course by studying decision making under uncertainty.

The second part of the course will examine how market prices can coordinate the choices of consumers and firms, and whether the resulting outcomes can be judged as socially desirable both from a partial and general equilibrium approach.

The third part discusses the role of asymmetric information in contracts between different economic agents. Adverse selection problems involve asymmetries of information before signing the contract while moral hazard problems involve asymmetric information after the signature of the contract. We will study how these circumstances change the contracts' shape with respect to economies with complete information.

This course, jointly with Microeconomics II, will provide a balanced account of the main tools in modern microeconomics. It will not go as deep into technical considerations as the Advanced Microeconomics counterpart. This means we may skip some topics that may be seen as more advanced and technical, and put less emphasis in formalism (mathematical details, notation, and proofs) that may be recommended if you want to immediately proceed to start your own research in economic theory. In some cases intuitions and results will be built upon simple models or examples rather than more abstract and general formulations, but the course will keep high standards on what we cover. While the Advanced versions of the course are necessary to proceed to the PhD track at the BarcelonaGSE, choosing the Microeconomics I-II sequence instead of the Advanced ones does not close at all the door to an academic career.

Course Outline

Part I: Individual Decision-Making

Preferences, Utilities, and Choice Sets.
Demand: The Consumer's Choice
Production and Supply: The Firm's Choice
Uncertainty

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Part II: Markets and Collective Decisions

Collective Well-Being: Efficiency and Social Welfare
Partial Equilibrium
General Equilibrium

Part III: Introduction to the Economics of Information

A Benchmark Case: Contracts with Complete Information
Moral Hazard
Adverse Selection

Required Activities

There will be several problem sets that students must complete.

Evaluation

30% problem sets and 70% final exam in December.

Materials

There are several textbooks that can prove useful for that course:

Parts I-II:

Jehle, G. and P. Reny (2001), *Advanced Microeconomic Theory*, Addison Wesley.

Mas-Colell, A., M. Whinston and J. Green (1995), *Microeconomic Theory*, Oxford University Press.

Rubinstein, A. (2001), *Lecture Notes in Microeconomic Theory*, Princeton University Press.

Kreps, D. (1990), *A Course in Microeconomic Theory*, Princeton University Press.

Varian, H. (1992), *Microeconomic Analysis*, W.W. Norton & Co, New York.

Gilboa, I. (2010), *Rational Choice*, MIT Press

Part III:

Macho-Stadler, I. and D. Pérez-Castrillo (2001), *An Introduction to the Economics of Information*, Oxford University Press

Martimort, D. and J.J. Laffont (2002), *The Economics of Incentives*, Princeton University Press