

Course syllabus

# Microeconomics II

ARA group. Second semester. 2013-14

## General information

Instructor:

Josep Domenech ([jdomenech@upvnet.upv.es](mailto:jdomenech@upvnet.upv.es))

Office: Building 3C, 2nd floor

Office hours: Upon request (by email).

Course website: <http://poliformat.upv.es> and <http://josepdomenech.com/teaching/micro-2.html>

Class hours:

Lectures: Monday 8:30 - 10:30 and Tuesday 10:15 - 11:45

Labs and Seminars: Friday 9 - 11 on weeks 3, 8, 14 and 16

## Course description

This course is the natural continuation to Microeconomics I, in which the main agents participating in the economy and the way they interact in the market were introduced. Microeconomics II focuses on performing a detailed analysis on how the agents make their decisions, on reviewing imperfectly competitive markets and on analyzing market failures and the role of the government.

By the end of the course, the student will be able to predict the response of the economic agents (consumers, producers and institutions) when the conditions affecting their decision-making process change.

Besides Microeconomics I, this course requires basic math skills in arithmetic, algebra and geometry. You should have learned all this in previous years and/or in *Modelos matemáticos para ADE* course.

## Learning objectives

The main objective is to contribute to the students' economic intuition, their critical attitude, and their ability to describe and analyze common microeconomic events.

Other objectives are:

- Defining and discussing the terminology and reasoning methods in economics.
- Understanding the relation between economic agents, and predicting their behavior.

- Distinguishing between various types of market structures and their implications.
- Understanding the sense in which market economies are efficient and the way governments can vary the economy efficiency.
- Being able to make economic decisions when playing the role of one of the economic agents.
- Understanding the interrelation of economic agents' decisions.
- Applying microeconomic theory to the analysis of firms economic environment.
- Promoting reading of economic texts in order to know the economic environment.
- Developing communication skills.

## Teaching methods

The course is divided into three parts: lectures, seminars and labs. Each one has different schedules.

For each class, students must read the assigned textbook chapters and complete any assigned homework. During lecture hours, students are encouraged to ask questions and participate, given that they are prepared for class. However, if you have not read the assigned text, please do not slow down the class.

Students will work on a group project during seminars and lab sessions. More details on the project will be given during the first session.

## Course rules

Students are expected to arrive at class on time. If you are unavoidably late, please enter the classroom quietly and discretely. Leaving the class early is only permitted if prior arrangements have been made with the instructor.

Any electronic device other than a non-programmable calculator (e.g., cell phones, laptops...) must be switched off during all class and exam times. Students that disrupt class or that are disrespectful to other students or to these rules will be invited to leave the class or the exam.

Cheating or plagiarism may result in failing the assignment and/or failing the course in addition to other disciplinary sanctions. It is considered dishonest to sign the attendance sheet if you do not intend to stay for the whole class.

Questions about course development or any question whose answer might be of interest to other students must not be addressed to my personal e-mail, but to the course forum in *PoliformaT*.

Students have to ensure that they are properly enrolled in this course. If you find an error in your registration, you have until February 17th to correct the error with the corresponding office (FADE secretariat or international office). If registration errors are not corrected by this date, you are advised that you will not receive a grade for this course.

## Grading

The grade is determined by the assessment activities done in each part of the course. Lectures will be assessed by in-class tests that will be held during lecture hours at most weeks (see the

schedule below). The average of the in-class test scores will account for 85% of the course grade, considering missed tests as zero-scored. If a student does not stay in class after taking a test, it will be counted as missed as well. Any tests or class assignments missed due to tardiness cannot be made up.

Tests may include multiple choice and/or essay questions. Each multiple-choice question will have four possible answers, from which the student has to select the best one. Every wrong answer subtracts one-third of a right answer. The blank answers (no answer) do not subtract any point.

The content to be covered in each test includes:

- This syllabus.
- Material taught since the beginning of the course.
- Material taught during the day of the test.
- Textbook readings.

In order to accommodate unanticipated events such as illness or schedule conflicts, an additional two-part exam is scheduled for June 3rd. The score of each of these two parts may replace the score of one missed or low-scored test, at student's convenience.

The seminars and lab sessions will account for the remaining 15% of the course grade. Score for this part will consider the development of a project and the co-evaluation of projects by other students.

Students are required to attend a minimum of 60% of scheduled in-person activities to get the course graded. A minimum score of 40% on each course part is required to pass the course. Students are advised that this is only way to pass the course. There will be no "second-chance" exams.

## **Bonus**

Students whose course average grade is greater than 7 out of 10, can earn a bonus equal to 10 percent of the total points he accumulates in the course by solving the challenge problems and turning them in before the corresponding deadline:

- Challenge problem 1: Feb 18th
- Challenge problem 2: Mar 3rd
- Challenge problem 3: Mar 11th
- Challenge problem 4: Apr 7th
- Challenge problem 5: Apr 15th
- Challenge problem 6: May 6th
- Challenge problem 7: May 9th
- Challenge problem 8: May 27th

# Course outline

## Content

### Part 1 - Consumer Behavior and Market Demand

1. Consumer Behavior  
*Pindyck and Rubinfeld, 3.1-3.5*
2. Individual and Market Demand  
*Pindyck and Rubinfeld, 4.1-3.6*

### Part 2 - Market Structures for Goods and Factor Inputs

3. Market Power: Monopoly and Monopsony  
*Pindyck and Rubinfeld, 10.1-10.6*
4. Pricing with Market Power  
*Pindyck and Rubinfeld, 11.1-11.5*
5. Monopolistic Competition and Oligopoly  
*Pindyck and Rubinfeld, 12.1-12.6*
6. Game Theory and Competitive Strategy  
*Pindyck and Rubinfeld, 13.1-13.6*
7. Markets for Factor Inputs  
*Pindyck and Rubinfeld, 14.1-14.2*

### Part 3 - General Equilibrium and Market Failures

8. General Equilibrium and Economic Efficiency  
*Pindyck and Rubinfeld, 16.1-16.4 and 16.6-16.7*
9. Externalities and Public Goods  
*Pindyck and Rubinfeld, 18.1-18.2 and 18.4-18.6*

## Tentative schedule

<i>Feb</i>	<b>3</b> U1	<b>4</b> U1	<i>Mar</i>	<b>3</b> U3*	<b>4</b> U4	<i>Apr</i>	<b>7</b> U5*	<b>8</b> U6	<i>May</i>	<b>5</b> U7*	<b>6</b> U7
	<b>10</b> U1*	<b>11</b> U2		<b>10</b> U4*	<b>11</b> U4		<b>14</b> U6*	<b>15</b> U6		<b>12</b> U8*	<b>13</b> U8
	<b>17</b> U2*	<b>18</b> U2		<b>17</b>	<b>18</b>		<b>21</b>	<b>22</b>		<b>19</b> U8*	<b>20</b> U9
	<b>24</b> U3*	<b>25</b> U3		<b>24</b> U5*	<b>25</b> U5		<b>28</b>	<b>29</b>		<b>26</b> U9	<b>27</b> U9*

\* In-class test

It is possible that some topics and related readings will be dropped if time runs short.

## Materials

While the required readings will be announced prior to the beginning of each unit on the course websites, the core textbook is *Microeconomics*, by Robert S. Pindyck and Daniel L. Rubinfeld (2009), Pearson Prentice Hall, ISBN 9780137133352. Lectures will generally come from that book, which is available at different UPV libraries. You may consider using an older (and less expensive) edition, which only differs slightly from the current edition (notice that some of the readings might be missing).

Students will have revising material (slides, FAQs, problem sets and quizzes) in *PoliformaT*, but they are advised that they are not substitutes of the textbook. Students are also encouraged to enter the textbook companion website, which includes, for each chapter, self-study quizzes that will be useful to prepare in-class tests.

[http://wps.prenhall.com/bp\\_pindyck\\_micro\\_7/](http://wps.prenhall.com/bp_pindyck_micro_7/)

We will also use the textbook *Microeconomía Práctica: Problemas Resueltos y Cuestiones Tipo Test* by Silvia Andrés González-Moralejo and M<sup>a</sup> Luisa Martí Selva (2009), SPUPV 2009.639 and *Análisis de casos de Microeconomía* by Silvia Andrés González-Moralejo and Francisco Estruch Sanchís (2013), SPUPV 2013.29 to practice problem solving.