

MICROECONOMICS I

Degree(s)	: Economics
Type	: Compulsory course unit
Curricular year/semester	: 2nd year / 1st Semester
ECTS / hours per week	: 6 ECTS / 4.0 Hours
Workload per week	: 2 Theoretical x 1 Hour + 1 Practical x 2 Hours
Teacher responsible	: Professor Carlos Farinha Rodrigues

OBJECTIVES

Microeconomics 1 aims at providing students with a firm grasp of and the tools to use the basic microeconomic concepts at an intermediate level. Students are expected to be, by the end of the unit, able understand and comment on texts using such concepts.

This unit cover the first microeconomic topics: consumer theory, producer theory, competitive markets, and general equilibrium. Lastly we cover the monopoly, and the loss of efficiency it engenders relative to perfect competition.

In the second semester, further microeconomics topics are covered in Microeconomics 2. The two units are highly complementary. They use the same method to study the economic behaviour of individuals and firms. The difference between the two units is simply the environments in which the agents operate. A good understanding of Microeconomics 1 is therefore a useful stepping stone to prepare the student for Microeconomics 2.

PROGRAM

1. Introduction

2. Supply and Demand

- 2.1 Demand
- 2.2 Supply
- 2.3 Market Equilibrium
- 2.4 Shocking the Equilibrium: Comparative Statics
- 2.5 Elasticities
- 2.6 Effects of a Sales Tax

3. Consumer Theory

- 3.1 Preferences
- 3.2 Utility
- 3.3 Budget Constraint
- 3.4 Constrained Consumer Choice
- 3.5 Behavioural Economics

4. Demand

- 4.1 Deriving Demand Curves
- 4.2 Effects of an Increase in Income
- 4.3 Effects of Price Changes
- 4.4 Revealed Preference

5. Consumer Welfare and Policy Analysis

- 5.1 Consumer Welfare
- 5.2 Expenditure Function
- 5.3 Market Consumer Surplus
- 5.4 Deriving Labour Supply Curves

6. Firms and Production

- 6.1 The Ownership and Management of Firms
- 6.2 Production
- 6.3 Short-run Production
- 6.4 Long-run Production
- 6.5 Returns to Scale
- 6.6 Productivity and Technical Change

7. Cost

- 7.1 Measuring Cost
- 7.2 Short-run Cost
- 7.3 Long-run Cost
- 7.4 Lower Cost in the Long Run

8. Competitive Firms and Markets

- 8.1 Perfect competition
- 8.2 Profit Maximisation
- 8.3 Competition in the Short Run
- 8.4 Competition in the Long Run

9. Applications of the Competitive Model

- 9.1 Zero Profit and Competition in the Long Run
- 9.2 Producer Welfare

9.3 How Competition maximises Welfare

9.4 Competition and Policy

10. General Equilibrium and Economic Welfare

10.1 General Equilibrium

10.2 General Equilibrium in an Exchange Economy

10.3 General Equilibrium in an Production and Exchange Economy

10.4 Efficiency and Equity

11. Monopoly

11.1 Monopoly Profit Maximisation

11.2 Market Power

11.3 Welfare Effects of Monopoly

11.4 Natural Monopoly

11.5 Monopoly, Taxes and Policy

12. Monopoly and Price Discrimination

12.1 Price Discrimination

12.2 Perfect Price Discrimination

12.3 Quantity Discrimination

12.4 Multimarket Price Discrimination

BIBLIOGRAPHY

Recommended Bibliography:

- Jeffrey M. Perloff, [Microeconomics with Calculus \(3rd Edition\)](#), Pearson Education, 2013

Optional Bibliography:

- Varian, A. R., **Intermediate Microeconomics: A Modern Approach (7th Edition)**, New York, W. W. Norton, 2005
- Nicholson, Walter, **Microeconomic Theory: Basic Principles and Extensions (9th Edition)**, Dryden Press, 2005