

## Microeconomics

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### Course description

The Introductory Economics (Microeconomics–1) is a one-semester course designed to prepare students for the Advanced Placement Test (APT). The course is taught in English, but the main ideas and concepts are explained in Russian as well.

### Teaching objectives

The purpose of the course is to give students a thorough understanding of the principles of economics in application to individual decision makers, both consumers and firms. We will study demand, supply and equilibrium in goods and factor markets, the efficiency of the market economy and the potential role of government intervention in the economy.

### Teaching methods

The following methods and forms of study are used in the course:

- lectures
- classes
- written homework assignments
- supplementary preparation for APT test
- office hours/consultations
- self-study

### Grade determination

The mid-year grade is determined by the Winter (mid-year) exam (50%), midterm (Mock) test (30%), homework assignments (10%), and class performance (10%). The Winter exam is set in AP format and graded in accordance with APT rules, on a 100-point scale and from 1 to 5.

Second semester grade is determined by homework assignments (10%), class performance (10%), and April Mock test (80%). The April Mock exam is set in APT format and graded by local teachers.

In the end of the year students sit external APT exam which is graded by AP Board from 1 to 5. This grade is used as enter grade to the University of London external program. It also gives 50% of final ICEF grade, while 30% is determined by the mid-year grade and the other 20% is determined by the second semester grade.

## Main reading

1. Begg, D., R.Dornbusch, S.Fischer (BDF). Economics. Tenth edition. McGraw Hill. 20011. The chapters from BDF covered in the course are indicated in the Course Outline.

## Additional reading

1. Frank, R. and B.Bernanke (FB). Principles of Microeconomics. Fourth edition. McGraw Hill, 2008.
2. Frank, R. and B.Bernanke. Prepared by J.Mogab and L.Johnston. Study Guide for use with Principles of Microeconomics. Third Edition. McGrawHill, 2007.
3. Mankiw, N.G. Principles of Economics. The Dryden Press, 1998. Русский перевод: Мэнкью Н.Г. Принципы Экономикс, Питер,С. Петербург, 1999.
4. Ward D., and D.Begg. Students Workbook for Economics. Seventh Edition. McGraw Hill. 2003.
5. Самуэльсон П., Нордхаус В. Экономика. Бином КноРус, Москва, 1997. (Русский перевод 15го издания EconomicsbyP.Samuelson).
6. Франк Р. Микроэкономика и поведение. М.: Инфра-М, 2003.
7. Ward, D. and Begg D. Students Workbook for Economics. Seventh Edition. McGrawHill. 2003.
8. Musgrave F. and Касапул, Е. AP Microeconomics / Macroeconomics. 3<sup>rd</sup> ed. Barron's Educational Series, 2009.
9. Dodge E.R. 5 steps to a 5. AP Microeconomics / Macroeconomics 2010 – 2011. McGraw-Hill, 2010.
10. Anderson D. Cracking the AP Economics Macro & Micro Exams. Princeton Review, 2010.
11. Экономическая теория. Вводный курс. Микроэкономика / Под ред. И.Е. Рудаковой. М.: ИНФРА-М, 2010.
12. Рудакова И.Е., Никитина Н.И. Микроэкономика. Программа, планы лекций и семинаров, тесты, задачи, ситуации. М. Дело и Сервис, 2011.
13. Bauman, Y. and G.Klein. The Cartoon Introduction to Economics: Volume One: Microeconomics. Hill and Wang. 2010.
14. Levitt, S. and S. Dubner. Freakonomics: A Rogue Economist Explores the Hidden Side of Everything (P.S.) William Morrow Paperbacks. 2009.
15. Levitt, S. and S. Dubner. SuperFreakonomics: Global Cooling, Patriotic Prostitutes, and Why Suicide Bombers Should Buy Life Insurance. William Morrow Paperbacks. 2011.
16. Lazear, E. Economic Imperialism. 1999. <http://www.nber.org/papers/w7300>
1. Heyne, P. Economics is a Way of Thinking. 2008. [http://oll.libertyfund.org/index.php?option=com\\_content&task=view&id=1474&Itemid=282](http://oll.libertyfund.org/index.php?option=com_content&task=view&id=1474&Itemid=282)

## Internet resources and databases

1. <http://mief.hse.ru>
2. <http://www.collegeboard.org/>

## Course outline

### **1. Introduction to Economics**

Definition of Economics. Economic goods. Scarcity and choice. Opportunity costs and sunk costs. Economic Models. Microeconomics and Macroeconomics. Positive and normative economics.

**BDF, Ch.1; BDF, Ch.2; FB, Ch.1**

### **2. Comparative Advantage and Exchange Comparative advantage.**

Production possibility frontier. Factors shifting the production possibility frontier. Specialization and exchange of goods. Comparative advantage and international trade. Economic systems: market economy, command economy, mixed economy.

**BDF, Ch.1; FB, Ch.2**

### **3. Supply and Demand**

Market. Demand curve and its determinants. Supply curve and its determinants. Equilibrium. Producer surplus and consumer surplus. Deficit and surplus. Free market and price control.

**BDF, Ch.3**

### **4. Elasticity**

Price elasticity of demand. Point and arch elasticity. Elasticity of Demand and Total Revenue of the firm. Cross-Price Elasticity. Price and Income Elasticity of Demand. Application of elasticity theory. Taxation.

**BDF, Ch.4**

### **5. Consumer Choice**

Total and marginal utility. Marginal utility and paradox of water and diamond. Consumer choice. Preferences. Indifference curves. Marginal rate of substitution. Budget constraint. Adjustment to price and income changes: income effect and substitution effect. Normal and inferior goods. Substitutes and complements. In-kind and money subsidies.

**BDF, Ch.5**

### **6. Producer Theory: Revenues and Costs**

The firm's production decisions. Revenues, costs and profits. Total, average and marginal revenues. Short run and long run. Fixed and variable costs. Total, average and marginal costs. Profit maximization.

**BDF, Ch.6,7**

### **7. Short-Run and Long-Run. Perfect competition**

Costs in short run and in long run. Firm's short run and long run output decisions. Economies and diseconomies of scale. Firm's supply and industry supply. Perfect competition. Its advantages and disadvantages.

BDF, Ch.8

### **8. Monopoly**

Types of market structures. Features of monopoly. Profit maximization under monopoly. Comparison with perfect competition: output and price. Social cost of a monopoly. Dead-weight loss. Regulation of monopoly. Natural Monopoly. Regulation of natural monopoly. Price discrimination. Industrial policy.

**BDF, Ch.9, 17, 18**

### **9. Monopolistic Competition and Oligopoly**

Features of monopolistic competition. Comparison with perfect competition: output and price. Advertising. Features of oligopoly. Price wars and collusion. Game theory and interdependence. Prisoner's dilemma. Cartels. Barriers to entry. Other forms of imperfect competition.

**BDF, Ch.9**

### **10. Factor Markets: Labor Market**

Factors (inputs) of production. Derived demand for factors. Demand and supply of labor. Equilibrium in labor market. Trade unions. Minimum wages. Wages and unemployment. Differences in wages, economic rent. Human capital. Investments in human capital: costs and revenues. Expected returns from studying in developed and developing countries. Signaling. Discrimination in the labor market.

**BDF, Ch.10, 11**

### **11. Factor Markets: Market for Capital and Land**

Physical capital. Demand and supply of capital. Equilibrium in capital market. Net present value and discounting. Interest rate. Choice under uncertainty. Individual attitudes to risk. Risk diversification. Uncertainty and assets returns. Land and rent. Price of land. Income Distribution.

**BDF, Ch.12, 13**

## 12. Introduction to Welfare Economics: General Equilibrium

Partial and general equilibrium. Backward induction. Gains from trade. Contract curve. Production possibility curve and effective resource allocation. Consumption and allocation of resources. General equilibrium and welfare economics. Perfect competition and Pareto efficiency. Equity and efficiency. Distortions and the second best.

**BDF, Ch.15**

## 13. Market Failures. Externalities and Public Goods

Market failure. Externalities. Property rights and transaction costs. Public goods. Free-rider problem. Taxation and government expenditures. Scope for government intervention. Government failure.

**BDF, Ch.14–16**

### Distribution of hours

#	Topic	Total hours	Contact hours		Self study
			Lectures	Seminars	
1.	Introduction to Economics	10	4	2	4
2.	Comparative Advantage and Exchange	10	4	2	4
3.	Supply and Demand	12	6	2	4
4.	Elasticity	14	6	4	4
5.	Consumer Choice	18	6	4	8
6.	Producer Theory: Revenues and Costs	16	6	2	8
7.	The Firm in Perfect Competition	18	6	4	8
8.	Monopoly	16	6	2	8
9.	Monopolistic Competition and Oligopoly	13	4	4	5
10.	Factor Markets: Labour	18	6	4	8
11.	Factor Markets: Capital and Land	14	4	2	8
12.	Introduction to Welfare Economics	14	4	2	8
13.	Market Failures. Externalities and Public Goods	16	6	2	8
Total:		189	68	36	85