

The International College of Economics and Finance

Syllabus for Microeconomics - 1

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Course description

Microeconomics-1 is a two-semester course for second year students. The first part covers all topics of the syllabus and the second part is devoted to supporting lectures. In the course of Microeconomics-1 students are expected to deepen their understanding of basic concepts, add further tools of analysis and develop their skills in applying theory to economic problems. The course pays special attention to problems of uncertainty, inter-temporal choice, general equilibrium and efficiency, asymmetric information and public choice.

Intermediate Microeconomics is a core discipline under world standards. It forms the basis of further economic studies in applied disciplines such as: industrial organisation, public sector economics, labour economics, international economics, corporate finance, development economics, etc. The course is taught in English. The students are also studying for Russian degree in Economics, and knowing Russian terminology through reading in Russian is also required.

Course prerequisites

Students are supposed to be competent in basic economic analysis (APT-level) and Calculus.

The course itself provides a basis (and so serves as a prerequisite) for Microeconomics-2.

Course Objectives.

- ⑧ to expand the students' knowledge in the field of microeconomics and develop skills for analysis of real economic situations;
- ⑧ to provide students with the knowledge of basic microeconomic models' assumptions, internal logic and predictions, grounding the explanations on intuitive and graphical approach with addition of some algebra and calculus studied simultaneously in the course of Mathematics for Economists;
- ⑧ to develop the students' ability to apply the knowledge acquired to the analysis of specific economic cases, recognising the proper framework of analysis and constructing the adequate economic models within this framework.

Forms of control and grades determination

Control takes the following forms:

- ⑧ written home assignments in Fall term;
- ⑧ group assignment in the Spring term;
- ⑧ midterm test in the middle of Fall semester,
- ⑧ exam at the end of the Fall semester,
- ⑧ midterm test in the middle of the Spring semester;
- ⑧ final exam by the end of the Spring semester.

The Fall semester grade will be determined by the following activities:

- ⑧ Home assignments (20%);
- ⑧ Fall semester midterm test (20%);
- ⑧ Winter exam (60%).

Course grade is determined by

- ⑧ Final exam grade (40%) [University of London exam grade for the students studying the course for both Internal and International degrees; Internal exam grade for the students studying the course for HSE degree only]
- ⑧ Fall semester grade (30%),
- ⑧ Group assignment (5%);
- ⑧ Spring semester mid term test grade (25%).

Fall semester grades and course grades are rounded arithmetically to hundredths, whereas other grades are not rounded.

A passing final grade can be assigned only provided that the student attempted the corresponding interim assessment, even when the final grade on the 100-point scale, before the interim assessment, is sufficient to obtain a passing grade on the 10-point scale.

Literature

Main Texts

Begg, D., G. Vernasca, S. Fischer and R. Dornbusch *Economics*. (London: McGraw Hill, 2014) 11th edition [BVFD].

Introduction to economics EC1002, Subject Guide. O. Birchall assisted by D. Verry. University of London, 2016. (available online via VLE system <http://my.londoninternational.ac.uk>) [SG]

Supplementary Reading

Lipsey, R.G. and K.A. Chrystal *Economics*. (Oxford: Oxford University Press, 2015) 13th edition.

More advanced text

Varian H.R., Intermediate Microeconomics. A modern approach. 11th edition. W.W. Norton and Company, 2014 (available in Russian translation: X.P.Вэриан.

Микроэкономика. Промежуточный уровень. Современный подход. Пер. с англ. 4-ого изд. - М.: "ЮНИТИ", 1997.)

Internet resources

University of London Exam papers and Examiners reports, subject quide, video tutorials and other UOL materials are posted at VLE system <http://my.londoninternational.ac.uk>

Current course materials are posted at the ICEF information system <http://icef-info.hse.ru>

Course outline

1. Economics, the economy and tools of economic analysis [was covered in year 1]
Scarcity. Rationality. The production possibility frontier and opportunity cost. Absolute and comparative advantage.

Markets.

Microeconomics and macroeconomics.

Models and theory.

BVFD Chs.1-2

SG Ch.1

2. Consumer choice

Preferences, indifference curves and utility function. Utility maximisation and choice. Consumer choice and demand. Comparative statics: income and price changes. Substitution and income effects. The individual demand and elasticity. Complements and substitutes. Cash transfers versus transfers in kind.

Inverse demand curve and consumer's surplus.

BVFD Ch.5

SG, block 4

3. The firm

Firm's objective. Production function. Cost minimization: isoquants and isocost lines. Costs in the short run and in the long run. Firm's decision in the short run. Firm's decision in the long run.

BVFD Chs.6-7, 8.1-8.2

SG, blocks 5-6

4. Perfect competition

Industry supply in the short-run. Market demand. Equilibrium in the short run.

Entry and exit, short-run and long-run equilibrium.

Comparative statics. Equilibrium and Efficiency.

BVFD Ch. 8.3-8.4

SG, block 7

5. Monopoly

Pure monopoly. Natural monopoly. Social cost of monopoly. Regulation of natural monopoly.

BVFD Ch. 8.5-8.10

SG, block 8

6. Market structure and imperfect competition

Monopolistic competition.

Basic concepts of the game theory.

Oligopoly: Cournot duopoly, Bertrand model, Stackelberg model. Strategic entry deterrence.

BVFD Ch. 9

SG, block 9

7. Inputs to production: the labour market

Utility maximisation and the supply of labour. Profit maximisation and the demand for labour.

Economic rent.

Monopsony.

Factors affecting labour market equilibrium (unions, minimum wages and others).

BVFD Ch. 10

SG, block 10

8. General equilibrium and welfare economics

Exchange economy and Edgeworth box. General equilibrium.

Efficiency in exchange economy.

Pareto efficiency in economy with production.

Equilibrium and efficiency: welfare theorems

Equity and efficiency.

Market failures: the problem of externalities and possible solutions.

BVFD Ch. 13

SG, block 11

9. Missing markets and the role of government

Market failures: the problem of externalities and possible solutions.

Government interventions, public goods, taxation;

Income distribution, the Gini coefficient and Lorenz curves

BVFD Chs. 11, 14

SG, blocks 11-12

Group assignment

Each student is expected to participate in group assignment. The groups are assigned by the lecturer.

Group has to produce a case study based on the real-life case borrowed from the newspaper or non-academic journal (for example, Vedomosti, The Economist). In this assignment students are expected to demonstrate how the models studied in the course could be applied to explain some real-life phenomenon or policy.

Group is expected to write a short paper (about 1000 words), make 5-10 minutes presentation and answer questions. Every member of the team (unless he/she officially refuses from participation and gets 0 for the essay) is expected to demonstrate his/her involvement in the project.

Preliminary distribution of hours by topics and types of work

Nº	Topic	Lectures	Classes	Selfstudy
1.	Economics, the economy and tools of economic analysis	2	2	2
2.	Consumer choice	6	4	8
3.	The Firm	6	3	7
4.	Perfect competition	6	3	7
5.	Monopoly	4	4	8
6.	Market structure and imperfect competition	6	4	8
7.	Inputs to production: the labour market	4	2	4
8.	General equilibrium and welfare economics	6	4	8
9	Missing markets and the role of government	6	4	8
Total:		46	32	90