

COURSE SYLLABUS

Course title: Microeconomics 3

ECTS: 6

Programme: master

Prerequisites: Knowledge of microeconomics theory and mathematics.

Content (Syllabus outline):

1. Consumer behaviour (preferences, utility, duality in consumer theory, relationship between demand, indirect utility function and the function of expenses, consumer surplus, applied models for consumer choice including two-period model of intertemporal choice, aggregation problem – from individual choice to aggregate demand).
2. Producer behaviour (production function - industrial set, and the set of necessary factors of production - restoring production function on the demand for production factors - the objective of profit maximization and the properties of the profit function, the problem of costs minimization and property of costs function, entry and exit of the company in the short and long term, impact analysis of the introduction of various types of taxes (subsidies) on the company behaviour). Market competition and mark equilibrium (Pareto efficiency (optimality), distribution of the tax burden between consumers and producers, comparative statics analysis, comparative analysis of the methods of state regulation).
3. International trade (neoclassical theory, Ricardo model / Dornbusch – Fischer – Samuelson model / Heckscher – Ohlin – Samuelson model, Rybczynski theorem / Heckscher – Ohlin theorem / Stolper – Samuelson theorem, empirical verification of models and theorems, new trade theory – impact of economies of scale and imperfect competition).
4. Monopoly (types of monopoly, social welfare, state regulation, taxes and subsidies, discrimination and segmentation, pricing).
5. Oligopoly (strategic interaction between companies, Cournot model, solution of the problem for the case of N symmetric firms, inefficiency of oligopoly, price strategy, Bertrand model, Stackelberg model, formation of cartels, comparative analysis of oligopoly models).
6. Market failure, public goods and externalities, asymmetric information (imperfect allocation of resources, Samuelson equation, Lindahl equilibrium, Coase theorem, Pigou tax on emission, asymmetric information – case from insurance industry).
7. Choice under uncertainty (paradoxes of choice under uncertainty and their possible, examples of strategic choices under conditions of uncertainty, the demand for insurance and the demand for risky assets and risk-free assets, choosing the optimal investment portfolio).

Objectives and competences:

Students will develop **basic competences:**

- students will develop a capability of autonomous conducting of microeconomic analysis on medium and/or higher difficulty level.

Students will develop **subject-specific competences:**

- an ability to understand the essence of the fundamental economic problem, which is the research subject of the economics;
- an ability to understand the microeconomic approach to the economic laws research;
- an ability to understand and use microeconomic analysis methods;
- an ability to understand the interrelated functioning of the economic laws;
- an ability to understand the functioning of a perfect competition and a monopoly;
- an ability to understand the functioning of a particular form of a monopolistic competition and an ability to conduct an economic analysis related to the functioning of a particular form of a monopolistic competition;
- an ability to understand the functioning of a particular form of an oligopolistic market and an ability to conduct an economic analysis related to the functioning of a particular form of an oligopolistic market.

Intended learning outcomes:

Knowledge and understanding:

A student will be able to place the subject of microeconomics within the economic theory

A student will be able to ground the essence of the microeconomics theory research.

A student will understand:

- the microeconomic production theory;
- the microeconomic cost theory;
- the microeconomic supply theory;
- the microeconomic demand theory;
- the microeconomic market equilibrium theory;
- the features of perfect competition and monopoly;
- characteristics of price formation in a monopoly;
- ways of a monopoly regulation.

A student will get to know the characteristics of a monopolistic competition.

A student will understand:

- characteristics of an oligopoly as a market structure;
- characteristics of the functioning of a particular types of oligopoly.