

# Microeconomics I

20836

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## **Content**

### **Part One: Consumer Choice and Demand**

1. Elements of the problem.  
Limits of consumer choice: the budget constraint. Reasons for choice: preferences. Representation of preferences: Utility.
2. The choice.  
The formal problem of maximization of preferences and derivation of the demand function.
3. Revealed preference and Slutsky equation.  
Weak and strong axioms of revealed preference. Price indices. The Slutsky equation: Income and substitution effects. Income and substitution effects of Hicks.
4. Consumer surplus and market demand.  
Consumer surplus: Discrete goods and continuous goods. Market demand: Aggregation of individual demands. The elasticity of demand and its relation with income.

### **Part Two: The Firm and the Supply Function**

5. Technology.  
Technological constraint. Different types of technology. Marginal product and marginal rate of technical substitution. Returns to scale.
6. Benefit maximization and cost minimization.  
The formal problem of profit maximization. The cost minimization problem. Cost functions: marginal cost and average cost.
7. Supply curve.  
The supply function of a competitive firm. The relation of the supply with marginal costs. The producer surplus. Supply curve of an industry.

### **Part Three: The demand and the supply**

8. The equilibrium.  
Equilibrium in a competitive market. Comparative statics. Taxes and welfare.

## **Bibliography:**

Varian, H.R Intermediate Microeconomics

## Schedule

Week		Theory	Seminar
1	8-14 April	Consumer Preferences Varian Ch.3	-
2	15-21 April	Utility Varian Ch.4	-
3	22-28 April	Budget Constraint Varian Ch.2	Preferences, Utility and Budget constraint
4	29 April-5 May	Consumer's Choice Varian Ch.5	
5	6-12 May	Demand Varian Ch.6	Consumer's Choice and Demand
6	13-19 May	Revealed preferences and Slutsky Equation Varian Ch.7 and 8	Revealed preferences and Slutsky Equation
7	20-26 May	Consumers' Surplus and Agregate Demand Varian Ch.14 and 15	Consumers' Surplus and Agregate Demand
8	27 May-2 June	Technology, Profit maximization Varian Ch.18 and 19	Technology, Profit maximization
9	3-9 June	Cost Minimization, Cost Curves and Firm's Supply Varian Ch.20, 21,22	Cost Minimization, Cost Curves and Firm's Supply
10	10-16 June	Industry Supply and Partial Equilibrium Varian Ch.23, 16	

## **Evaluation**

**50% Final Exam**

**30% midterm exam**

**20% seminars (5% presence and 15% participation)**

**There is no minimum grade for the final exam.**

**The July exam is only for those, who have failed the June exam. The grade of this exam only recovers the grade of the final exam..**