



## COURSE UNIT (MODULE) DESCRIPTION

Subject	Science Category	Faculty
Microeconomics	Economics S 004	Faculty of Economics and Business Administration

Number of ECTS credits allocated	Student's workload (total)	Contact hours	Individual work
5	200	36	164

### Coordinator:

Dr. Robertas Zubrickas (<https://orcid.org/0000-0002-6940-5175>)

### Others:

Dr. Andrius Kažukauskas (<https://orcid.org/0000-0002-8458-2460>)

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Dr. Jose Garcia-Louzao Perez (<https://orcid.org/0000-0002-2211-1401>)

### Annotation

The aim of this course is to explore a range of advanced topics in microeconomic theory and to familiarize students with the application of learnt theoretical models in academic research. While some topics may be familiar from intermediate microeconomics, this course emphasizes a more mathematically rigorous approach. The course is organized around three broad themes: individual decision theory, market equilibrium and market failure, and general equilibrium. Each of these themes will be examined not only through classical theories but also with insights from behavioral economics, which challenge and refine the standard assumptions.

### Course Outline

#### Part A: Individual Decision Theory

##### 1. Consumer theory

*Readings: VAR ch 7-8, 11*

(a) Utility maximization

(b) Choice

(c) Choice under uncertainty

##### 2. Firm theory

*Readings: VAR ch 1-5*

- (a) Technology
- (b) Profit maximization and cost minimization
- (c) Profit and cost functions

3. Insights from behavioural economics

*Readings: BEH ch 1*

## Part B: Market Equilibrium and Market Failures

1. Market equilibrium

*Readings: VAR ch 13-14, 16*

- (a) Competitive markets
- (b) Monopoly
- (c) Oligopoly

2. General equilibrium

*Readings: VAR ch 17-18*

- (a) Exchange economy
- (b) Production economy

3. Information, incentives, and behaviour

*Readings: VAR ch 25*

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### Learning Outcomes

The students will learn the fundamental methods and theories of microeconomics and will be provided with the basic tools and concepts required to understand scientific papers at the research frontier of microeconomic theory. While the course won't cover every topic in microeconomic theory in detail, students will learn how microeconomic models are employed in academic papers and will have an opportunity to analyze some papers in detail. Additionally, students will improve their skills of presenting academic research.

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### Prerequisites

- An undergraduate-level understanding of calculus and microeconomics is assumed.
- In case of the need to review material, we suggest the prospective students consult an open-access undergraduate microeconomics book “The Economy 2.0: Microeconomics” by Core-Econ.
- Students who plan to take this course must have passed the Research Methods course and Statistics and Mathematics for Economists course that are typically offered in the fall semester

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### Evaluation

- **Take-home assignments (30%).** There will be at least two assignments in this class.
- **Presentation of a research paper (30%).** Presentations of research papers will take place in the last session. Students will have to present a paper chosen from the list proposed by the lecturers. Depending on the number of students enrolled in the course, presentations will be made either individually or in groups. Students will be required to have a good understanding of the model used in the paper and to be ready to answer questions about it. In their presentations they will also

be expected to find the right balance between the mathematical rigour and the intuition behind the theoretical results (more guidelines will be given during the course).

• **Written exam (40%).** The exam will cover all the course material. It is expected to take place at the end of the semester.

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### **Reading**

This is a limited list of books that will be referred to during the course.

- (VAR) Varian, H. R. (1992). *Microeconomic analysis*. WW Norton & Company
- (BEH) Camerer, C. F., Loewenstein, G., & Rabin, M. (2004). *Advances in behavioral economics*. Princeton university press
- (MAS) Mas-Colell, A., Whinston, M. D., Green, J. R., et al. (1995). *Microeconomic theory* (Vol. 1). Oxford university press New York

### **Supporting material**

- Jehle, G. A., & Reny, P. J. (2011). *Advanced microeconomic theory*. Prentice Hall
- Muñoz-Garcia, F. (2017). *Advanced microeconomic theory: An intuitive approach with examples*. MIT Press