

MICROECONOMICS I

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Mikroekonomia I

seminar (konwersatorium) 30 hrs

Semester: fall

Course description (1000 characters max)

[The aim of this course is to familiarize students with intermediate consumer theory as part of microeconomic theory. Passing the course depends on class participation and homework (30% of the final score), two written tests (70%).

Krótki opis zajęć (1000 characters max)

Celem zajęć jest zapoznanie studentów ze średniozaawansowaną teorią konsumenta w ramach teorii mikroekonomii. Kurs będzie zaliczany na podstawie następujących elementów: aktywność (30%), dwa sprawdziany pisemne (70%).

Course outline (4000 characters max)

CLASS #1 - INTRODUCTION

The subject and scope of Microeconomics, basic research tools, modelling, comparative statics. Experiment illustrating the concepts of equilibrium and marginal values.

CLASS #2 - MARKET MECHANISM

Experiment: oral auction, demand and supply as willingness to buy/sell, auction market equilibrium, comparative statics.

CLASS #3 – BUDGET CONSTRAINT

Modelling approach: consumption (consumption set, budget constraint, shifts of the budget constraint, numeraire). Examples: choices related to procreation, food stamps policies, shifts of the budget constraint in reaction to taxes, rationing, and subsidies.

CLASS #4 & 5 – PREFERENCES, UTILITY AND CHOICE

Preferences (preference relation, axioms, indifference curves, special cases of preferences, MRS). Utility function (utility function, its transformations, special cases, marginal utility, MRS). Consumer equilibrium conditions for typical preferences, introduction of the Lagrange auxiliary function.

CLASS #6 – CONSUMER DEMAND

Deriving demand from the utility function. Choice and demand for atypical utility functions. Cobb-Douglas function as representation of typical preferences, Cobb-Douglas demand. Comparative statics (changes in price of the analyzed good, other price changes, changes in income, price offer curve, ordinary goods, Giffen goods, substitutes/complements, income offer curves, Engel curves, normal goods, inferior goods, luxury goods, elasticities, inverse demand curve).

CLASS #7 – REVEALED PREFERENCES, CONSUMER INDICES

Directly/indirectly (revealed) preferred baskets, weak/strong axiom of revealed preferences, price/quantity Laspeyres/Paasche indices.

CLASS #8 – MID-TERM EXAM

CLASS #9 – CONSUMER CHOICE REACTIONS TO PRICE CHANGES - FORMAL ANALYSIS - SLUTSKY EQUATION

Graphical analysis of the price change effect differentiating the substitution and income effects (different types of goods), specific preferences (perfect substitutes, perfect complements), reaction to a change in income for a luxury good, law of demand (price-quantity relationship), calculating the substitution and income effects, equivalent and compensating variation.

CLASS #10 – ENDOWMENT CONSTRAINT – SLUTSKY EQUATION CONTD.

Extending the basic model of consumer choice to situations with initial endowment, concepts of supplier and buyer, changes in the situation of a consumer in reaction to price changes, application of these concepts to labor supply analysis. Endowment version of the Slutsky equation for the labor supply model.

CLASS #11 – INTERTEMPORAL CHOICE

Extending the model by shifting value in time, payment flows, concepts of future and current value, real and nominal interest rate, intertemporal constraint and choice, including inflation, demand for loans and their price. Endowment version of the Slutsky equation for the intertemporal choice model.

CLASS #12 – CHOICE UNDER UNCERTAINTY WITH COMPLETE INFORMATION

Risk and uncertainty, contingent consumption, insurance, contingent budget constraint, von Neumann-Morgenstern expected utility function, attitudes towards risk, risk spreading, model based on income distribution.

CLASS #13 – ASSETS WITH MONETARY FLOWS, INVESTMENT DECISIONS, RISKY ASSETS

Random variable, distribution of a random variable, expected value, variance, standard error. Preferences for risky assets, portfolio, optimal choice, equilibrium in the risky assets market. Problems: when to cut a forest, how long to keep a painting. Mean-variance model for risky assets, consumer choice based on the mean-variance model, risk management, diversification.

CLASS #14 – MARKET DEMAND

Demand aggregation, elasticities, elasticity and revenue, division of the tax burden between producers and consumers.

CLASS #15 – END-TERM TEST

Readings (4000 characters max)

H. R. Varian, Intermediate Microeconomics, W.W. Norton, 1990 (or later editions).
T. C. Bergstrom & H. R. Varian, Workouts in Intermediate Microeconomics, W.W. Norton, 1990.
Materials distributed in class (original author: T. Kopczewski).

Detailed terms of participation (1000 characters max)

The course is dedicated to students of the Economics degree program. Participants are expected to have basic knowledge of calculus (multiple variable functions, derivatives, optimization).

Anticipated results of instruction (2000 characters max)

The aim of the course is to familiarize students with intermediate consumer theory. It constitutes a basis for Microeconomics III and subsequent advanced courses.

Detailed conditions for crediting the course (2000 characters max)

The course of Microeconomics I is credited on the basis of results from two tests (70% of the final score) and class participation and homework (30%). Altogether the student can obtain a maximum of 100 points.

1. Detailed conditions for passing the course for all groups:
 - Mid-term test – 30 points - test duration: 60 minutes - 3 problems to solve.
 - End-term test – 40 points - test duration: 90 minutes - 4 problems to solve.
 - Remaining 30 points - short tests, homework assignments, solving problems at the board in class, requirement of presence in class - depending on the instructor.
2. Passing the course requires receiving at least 50% of the total points and at least 50% total points on both tests.
3. Tests are written and take place on dates indicated by the instructor.
4. In the retake exam period there is one test organized on a date indicated by the instructor and covering the entire material.
5. Absence at the mid-term or end-term test (on the required date) results in 0 points.
6. All participants are allowed to take the retake test, regardless of the result from the first approach.
 - 6.1. For persons who did not pass the first approach, absence on the retake test results in failing the test (NC).
 - 6.2. For persons who obtained a positive result from the first approach, approaching the retake test cancels the result obtained from the first approach.
7. All tests are organized according to the rules of "Zero tolerance for cheating".
8. There are no other possibilities (neither new dates nor rules) for passing the course.
9. Grades are given according to the following scale:

points	final grade
81-100	5
72-80	4+
64-71	4
57-63	3+
50-56	3