1. SUBJECT DESCRIPTION

A successful entrepreneur needs to have a deep knowledge of its own market in order to both define a coherent strategy and articulate a convincing business case to attract potential investors, lenders or other stakeholders.

Microeconomics is the branch of economics that studies how markets work and how market exchanges benefit society. By focusing on the individual decisions of consumers and firms, it gives students and practitioners a proper understanding of the incentives and behaviour of economic agents and a powerful tool to analyse the outcomes from their interaction.

The first part of this course is a quick review of the basic microeconomic principles already covered in Introduction to Economics, and sets the stage for the rest of the programme. In the second part, consumer (demand) and firm (supply) behaviour is presented and studied as the two sides of any market. Once demand and supply are well understood the course concentrates on the analysis of different market structures — perfect competition, monopolies, oligopolies and markets with differentiated products — which is the aim of the third part of the program. The last part of the program is intended to cover other advanced topics in microeconomics: public goods, externalities, uncertainty and private information.

The focus of the subject is eminently practical. The theoretical concepts learnt in class will be complemented with numerous real case studies and empirical exercises.

2. OBJECTIVES AND SKILLS

With this course students will acquire a good understanding of microeconomic principles, which they will find especially useful for explaining the facts observed in markets, make predictions about expected market outcomes and analyse the incentives of the economic agents.
3. METHODOLOGY AND WEIGHTING

While formal in its approach, the course is designed in a way that requires only basic mathematical training. In addition, having satisfactorily passed the subject of Introduction to Economics is highly recommended.

Before each master class, students should spend 20-30 minutes preparing the corresponding lectures in advance. This will be useful to grab the general idea of the topics covered. Lectures will be highly dynamic, with an exposition of the main points from the professor and active participation from the class. Students will be asked to respond questions during the lectures, and they are also expected to raise relevant and interesting questions to the professor and comments for general discussion.

After each master class, students are expected to spend from 1 to 2 hours reviewing the lectures and preparing the empirical exercises and case studies proposed by the professor.

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<tr>
<th>Teaching Methodology</th>
<th>Weighting</th>
<th>Estimated time a student should dedicate to prepare for:</th>
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<tbody>
<tr>
<td>Lectures</td>
<td>(40)%</td>
<td>60 hours</td>
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<tr>
<td>Exercises</td>
<td>(40)%</td>
<td>60 hours</td>
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<tr>
<td>Group work</td>
<td>(20)%</td>
<td>30 hours</td>
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<tr>
<td>TOTAL</td>
<td>100%</td>
<td>150 hours</td>
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4. CONTENT

The course consists of a total of 30 sessions; the content of the course will be covered in the first 28 sessions, while the last 2 will be used for presentation and discussion of students’ final projects. Likewise, the program is divided in four parts: i) short introduction and review of basic economic principles, ii) the basics of consumer and firm behavior, iii) analysis of market structures and iv) other advanced topics in microeconomics.

PART I: INTRODUCTION AND REVIEW OF THE BASIC ECONOMIC PRINCIPLES

1. First economic principles and economic models:
   Trade-offs and trade, supply and demand, elasticity, consumer and producer surplus (1 session).

2. Government interventions in the economy:
   Price ceilings, price caps and taxes (1 session).

3. International trade:
   Comparative advantage, tariffs, quotas and trade protection (2 sessions).

PART II: THE BASICS OF CONSUMER AND FIRM BEHAVIOR

4. Behind the demand curve:
   Marginal analysis, rational consumers and rational choice (3 sessions).
5. Behind the supply curve:
Inputs and costs (3 sessions)

PART III: ANALYSIS OF MARKETS

6. Perfect competition:
Production and profits, individual supply, industry supply, short and long run equilibriums (2 sessions).

7. Monopoly:
The standard monopoly model and market power, regulation of the monopoly, price discrimination (3 sessions).

8. Oligopoly:
Introduction to game theory, Bertrand model, Cournot model, Leadership-follower model (5 sessions).

9. Monopolistic competition and product differentiation
(3 sessions).

PART IV: OTHER ADVANCED TOPICS IN MICROECONOMICS

10. Public goods and externalities
(3 sessions).

11. Uncertainty, risks and private information
(2 sessions)

5. EVALUATION SYSTEM (ORDINARY AND EXTRAORDINARY)

Regular attendance to lectures and classes is required. The final grade will be based on the following criteria:

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<tbody>
<tr>
<td>A</td>
<td>Class participation</td>
<td>10%</td>
</tr>
<tr>
<td>B</td>
<td>Mid-term Exam</td>
<td>30%</td>
</tr>
<tr>
<td>C</td>
<td>Final group case, presentation &amp; report</td>
<td>20%</td>
</tr>
<tr>
<td>D</td>
<td>Final Exam</td>
<td>40%</td>
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<tr>
<td>TOTAL</td>
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<td>100%</td>
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A. CLASS PARTICIPATION:
Questions and comments from students during lectures and practical classes will be evaluated by the professor, and considered for the final grade. Participation in class debates around real topics will be specially valued. Three main criteria will be used in reaching judgment about your class participation.
• **Depth and Quality of Contribution:** The most important dimension of participation concerns what it is that you are saying. A high quality comment reveals depth of insight, rigorous use of case evidence, consistency of argument, and realism.

• **Moving Your Peers’ Understanding Forward:** Great ideas can be lost through poor presentation. A high quality presentation of ideas must consider the relevance and timing of comments, and the flow and content of the ensuing class discussion. It demands comments that are concise and clear, and that are conveyed with a spirit of involvement in the discussion at hand.

• **Frequency:** Frequency refers to the attainment of a threshold quantity of contributions that is sufficient for making a reliable assessment of comment quality. The logic is simple: if contributions are too few, one cannot reliably assess the quality of your remarks. However, once threshold quantity has been achieved, simply increasing the number of times you talk does not automatically improve your evaluation. Beyond the threshold, it is the quality of your comments that must improve. In particular, one must be especially careful that in claiming more than a fair share of “airtime”, quality is not sacrificed for quantity. Finally, your attempts at participation should not be such that the instructor has to “go looking for you”. You should be attempting to get into the debate on a regular basis.

**B. MID-TERM EXAM**

At the end of the 15th session, students will have to do a test in class. These tests are strictly individual and will contain multiple choice questions and/or exercises. Likewise, the questions can be either theoretical or empirical.

**C. GROUP CASE WRITE-UPS**

During the course, student will have to participate in a group work for the preparation of one case study. These projects will be presented in class, and students must reply to questions from the instructor and classmates. An active role of the rest of the students during the presentations of the group assignments will be highly valued. It is expected that all the students have reviewed the topic considered and be able to raise relevant questions and even criticize (from a strictly academic point of view) their classmates’ work.

**D. FINAL EXAM**

The final exam will comprise all the material covered in the class, and will contain both theoretical and empirical problems.

**RETAKE POLICY**

Each student has 4 chances to pass any given course distributed in two consecutive academic years (regular period and July period).

Students who do not comply with the 70% attendance rule will lose their 1st and 2nd chance, and go directly to the 3rd one (they will need to enrol again in this course next academic year).
Grading for retakes will be subject to the following rules:

- Students failing the course in the first regular period will have to do a retake in July (except those not complying with the attendance rules, which are banned from this possibility).
- Dates and location of the July retakes will be posted in advance and will not be changed. Please take this into consideration when planning your summer.
- The retake will consist of both theoretical and empirical problems.
- The maximum grade that a student may obtain in the retake will be 8 out of 10.

6. USE OF ELECTRONIC DEVICES IN CLASS

Cell phones must be turned off and out of sight during class failing to comply with this rule may have consequences on the final grade of the student.

This subject does not require the use of a laptop in class; nevertheless, if you want to bring your laptop, please contact your professor.