MICROECONOMICS

BACHELOR IN POLITICS, LAW AND ECONOMICS

Professor: ISABEL SANCHEZ
E-mail: isg2@faculty.ie.edu

Academic year: 18-19
Degree course: FIRST
Semester: 2º
Category: BASIC
Number of credits: 6.0
Language: English

PREREQUISITES
Introduction to economics

SUBJECT DESCRIPTION
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 behaviour of economic agents and a powerful tool to analyse the outcomes that result from their interaction.

Successful managers and entrepreneurs understand the markets in which they operate. This enables them to define a coherent business strategy and to adjust it when external conditions vary. Being able to understand and describe one’s own market is also necessary to articulate effective relationships with potential investors, lenders and other stakeholders.

The first part of this course presents consumer (demand) and firm (supply) behaviour as the two sides of a market. Once demand and supply are well understood, the second part of the course focuses on the analysis of different market structures -perfect competition, monopolies, oligopolies and markets with differentiated products. The last part of the program covers other advanced topics in microeconomics: public goods, externalities, uncertainty and private information.

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

OBJECTIVES AND SKILLS
Students will acquire a good understanding of microeconomic principles, which they will find particularly useful to identify important market facts, make predictions about expected market outcomes and analyse market incentives.
METHODOLOGY
The course requires only basic mathematical training.

Students should spend 20-30 minutes preparing lecture material before each master class. Lectures will be dynamic. Students will be asked to answer questions during lectures and are also expected to raise relevant questions for general discussion.

After each 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 instructor.

<table>
<thead>
<tr>
<th>Teaching methodology</th>
<th>Weighting</th>
<th>Estimated time a student should dedicate to prepare for and participate in</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lectures</td>
<td>40.0 %</td>
<td>60 hours</td>
</tr>
<tr>
<td>Discussions</td>
<td>13.33 %</td>
<td>20 hours</td>
</tr>
<tr>
<td>Exercises</td>
<td>13.33 %</td>
<td>20 hours</td>
</tr>
<tr>
<td>Group work</td>
<td>26.67 %</td>
<td>40 hours</td>
</tr>
<tr>
<td>Other individual studying</td>
<td>6.67 %</td>
<td>10 hours</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100.0 %</td>
<td>150 hours</td>
</tr>
</tbody>
</table>
PART I: THE BASICS OF CONSUMER AND FIRM BEHAVIOUR

SESSIONS 1 - 4

SESSIONS 5 - 6
Behind the supply curve: Inputs and costs. Ref.: Krugman, chapter 11, page 329.

SESSIONS 7 - 9
PART II: ANALYSIS OF MARKETS

Perfect competition: Production and profits, individual supply, industry supply, short and long run equilibrium. Ref.: Krugman, chapter 12, page 357.

SESSIONS 10 - 13

SESSION 14
Midterm exam

SESSIONS 15 - 20

SESSIONS 21 - 24
SESSIONS 25 - 27
PART III: OTHER ADVANCED TOPICS IN MICROECONOMICS

Public goods and common resources. Ref.: Krugman, chapter 17, page 489.
Uncertainty, risks and private information. Ref.: Krugman, chapter 20, page 581.

SESSIONS 28 - 29
Group project presentations

SESSION 30
Final Exam
BIBLIOGRAPHY

COMPULSORY
Title: Microeconomics
Author: Krugman, Paul & Wells, Robin
Publisher / Edition / Year: Worth publishers / 4th / 2015
Medium: PRINT

RECOMMENDED
Title: Microeconomics
Author: Pindyck, Robert & Rubinfeld, Daniel
Publisher / Edition / Year: Prentice Hall
ISBN-10: 0132080230
Medium: PRINT

Title: The Undercover Economist
Author: Harford, Tim
Publisher / Edition / Year: Random House Trade Paperbacks
ISBN-10: 0345494016
Medium: PRINT

Title: The Undercover Economist
Author: Levitt, Steven & Dubner, Stephen
Publisher / Edition / Year: William Morrow Paperbacks
ISBN-10: 0060731338
Medium: PRINT

EVALUATION CRITERIA

Each student has 4 chances to pass any given course distributed over two consecutive academic years: 2 ordinary calls and 2 extraordinary calls (re-sits) in June. Students who do not comply with the 70% attendance rule during the semester will fail both calls for this Academic Year (ordinary and extraordinary) and will have to re-take the course (i.e., re-enroll) in the next Academic Year.

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Percentage</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class Participation</td>
<td>10 %</td>
<td></td>
</tr>
<tr>
<td>Individual Work</td>
<td>10 %</td>
<td></td>
</tr>
<tr>
<td>Group report &amp; Presentation&amp;</td>
<td>20 %</td>
<td></td>
</tr>
<tr>
<td>Midterm exam</td>
<td>20 %</td>
<td></td>
</tr>
<tr>
<td>Final Exam</td>
<td>40 %</td>
<td></td>
</tr>
</tbody>
</table>
A. CLASS PARTICIPATION AND PRACTICAL ASSIGNMENTS: The instructor will incentivize and reward questions and comments from students during lectures and practical classes. Participation in class debates around real topics will be specially valued. Two main criteria will be used in reaching judgment about your class participation:

Frequency: The instructor will require a minimum threshold of contributions. Once the threshold quantity has been achieved, simply increasing the number of contributions will not necessarily improve the evaluation.
Moving Your Peers’ Understanding Forward: The relevance and timing of comments and the flow and content of the ensuing class discussion will be considered when evaluating class participation.

Instructions about practical assignments will be provided in class.

B. GROUP CASE WRITE-UPS: Students, organized in teams, will be invited to participate in a market analysis project. The outcome of the project will be presented in class. All students are expected to raise relevant questions and/or comments.

C and D. MIDTERM and FINAL EXAMS: Both exams will have a similar structure: they will consist of two parts. The first part will include multiple choice questions with penalty for wrong answers. The second part will consist of analytical questions. The final exam will include all course material. A minimum grade of 4 over 10 in the final exam is required to pass the course.

After the final exam, grades for the exam and for the course will be posted and you will have the possibility to attend a review session. Attendance to the review session is mandatory in order to clarify any concerns you might have regarding your exam/grade. You will be informed in advance about the time and place of the review session.

RE-SIT / RE-TAKE POLICY

Each student has 4 chances to pass any given course distributed over two consecutive academic years: 2 ordinary calls and 2 extraordinary calls (re-sits) in June.
Evaluation criteria will be subject to the following rules:

Students failing the course in the ordinary call (during the semester) will have to re-sit the exam in June (except those not complying with the attendance rule, who will not have that opportunity and must directly re-enroll in the course on the next Academic Year).

The extraordinary call exam in June will require your physical presence at the campus you are enrolled in (Segovia or Madrid). There is no possibility to change the date, location or format of any exam, under any circumstances. Dates and location of the June re-sit exam will be posted in advance. Please take this into consideration when planning your summer.

The June re-sit exam will consist of a comprehensive exam. Your final grade for the course will depend on the performance in this exam only; continuous evaluation over the semester will not be taken into consideration. Students will have to achieve the minimum passing grade of 5 and the maximum grade will be capped at 8.0 (out of 10.0) – i.e., “notable” in the re-sit exam.

Students who failed the subject on a previous Academic Year and are now re-enrolled as re-takers and assigned to this course will need to contact me the first week of class to find out what is expected for them to pass the course and the corresponding evaluation criteria for them. The maximum grade that may be obtained in the retake exam (3rd call) is 10.0 (out of 10.0).

After the extraordinary call exam, grades will be posted and you will have the possibility to attend a review session. Attendance to the review session is mandatory in order to clarify any concerns you might have regarding your exam/grade. You will be informed in advance about the time and place of the review session.
PROFESSOR BIO

Professor: **ISABEL SANCHEZ**
E-mail: isg2@faculty.ie.edu

**Academic Background**
-- PhD in Economics, University of California, San Diego, USA.
-- Bachelor in Economics and Business Administration, Universidad Autónoma de Madrid, Spain.

**Academic Experience**
-- Teaching and Research Assistant, Economics Department, University of California, San Diego;
  Assistant Professor, Economics Department, University of Rochester, and Associate Professor, Economics Department, Universidad Carlos III de Madrid.
-- Director of Undergraduate Studies in Business Administration IE University, 2009-2016.
-- Associate Dean of Adjunct & Visiting Faculty and Director of IEU LABs & Entrepreneurship, IE University.

**Professional Experience**

_In the regulation of energy sectors_
-- Deputy Director in Regulation, Comisión Nacional del Sistema Eléctrico and Comisión Nacional de Energía, Spain, and Board member, ENAGAS, S.A.

_In science, technology and innovation_
-- Head of Staff, Secretaría de Estado de Política Científica y Tecnológica, Ministerio de Ciencia y Tecnología, Spain, and Board member, Centro para el Desarrollo Tecnológico Industrial (CDTI), Ministerio de Ciencia y Tecnología, Spain.

_In private sector development_
-- Consultant, Private Sector Development and Energy Department, Latin America and Caribbean Region, The World Bank.

_In antitrust policy_
-- Head of Staff and Competition Advocacy Director, Comisión Nacional de Competencia, Spain.

**OTHER INFORMATION**
Office hours: By appointment
E-mail: isabel.sanchez@ie.edu
CODE OF CONDUCT IN CLASS

1. Be on time: Students arriving more than 5 minutes late will be marked as “Absent”. Only students that notify in advance in writing that they will be late for a specific session may be granted an exception (at the discretion of the professor).

2. If applicable, bring your name card and strictly follow the seating chart. It helps faculty members and fellow students learn your names.

3. Do not leave the room during the lecture: Students are not allowed to leave the room during lectures. If a student leaves the room during lectures, he/she will not be allowed to re-enter and, therefore, will be marked as “Absent”.

Only students that notify that they have a special reason to leave the session early will be granted an exception (at the discretion of the professor).

4. Do not engage in side conversation. As a sign of respect toward the person presenting the lecture (the teacher as well as fellow students), side conversations are not allowed. If you have a question, raise your hand and ask it. If you do not want to ask it during the lecture, feel free to approach your teacher after class.

If a student is disrupting the flow of the lecture, he/she will be asked to leave the classroom and, consequently, will be marked as “Absent”.

5. Use your laptop for course-related purposes only. The use of laptops during lectures must be authorized by the professor. The use of Social Media or accessing any type of content not related to the lecture is penalized. The student will be asked to leave the room and, consequently, will be marked as “Absent”.

6. No cellular phones: IE University implements a “Phone-free Classroom” policy and, therefore, the use of phones, tablets, etc. is forbidden inside the classroom. Failing to abide by this rule entails expulsion from the room and will be counted as one absence.

7. Escalation policy: 1/3/5. Items 4, 5, and 6 above entail expulsion from the classroom and the consequent marking of the student as “Absent.” IE University implements an “escalation policy”: The first time a student is asked to leave the room for disciplinary reasons (as per items 4, 5, and 6 above), the student will incur one absence, the second time it will count as three absences, and from the third time onward, any expulsion from the classroom due to disciplinary issues will entail 5 absences.