

**COURSE DATA****Data Subject**

Code	35926
Name	Principles of economics (microeconomics)
Cycle	Grade
ECTS Credits	6.0
Academic year	2022 - 2023

Study (s)

Degree	Center	Acad. Period
1315 - Degree in Finance and Accounting	Faculty of Economics	1 First term

Subject-matter

Degree	Subject-matter	Character
1315 - Degree in Finance and Accounting	1 - Economics	Basic Training

Coordination

Name	Department
GONZALO RUPEREZ, MARIA TERESA	10 - Economic Analysis

SUMMARY

Principles of Economics (Microeconomics) falls into the subject of economics which, as a foundation subject type, is lectured in the first term of the first year in the degree of Finances and Accounting. This subject encompasses *Microeconomics* and *Macroeconomics*, the teaching of the former corresponding to the first semester and the latter to the second one. Total ECTS credits of each of these parts are 6 credits.

The contents of this subject are related with the course of *Econometrics* (compulsory, 4.5 ECTS, which is lectured in the second year, first term). The principles of Economics give the basic knowledge the students need in order to understand the models they are going to work with in Econometrics.

The main aims of this subject are, first, to familiarise the student with the topics that are generally covered by this discipline and, second, to introduce them to the way in which economists think to analyse real world problems and proceed to propose solutions for these problems. This subject will provide the students the necessary tools to understand how individuals and firms decide and how markets work. Additionally, it will explain the many different forms markets can take and when it is convenient for the Government to intervene to promote efficiency and to promote equity.



The basic topics of this subject are the following: markets, demand and supply, elasticity; welfare and efficiency, the behaviour of the firm, competitive markets, monopoly, asymmetric information and the working of the labour market.

At the end of this course students should be able to discuss economic issues applying the analytic framework developed in the course, read economic literature and follow current economic debates.

PREVIOUS KNOWLEDGE

Relationship to other subjects of the same degree

There are no specified enrollment restrictions with other subjects of the curriculum.

Other requirements

The prerequisites that the student needs to successfully address this subject are minimal: a level of basic maths (solving equations with one / two unknowns and basic partial derivatives) and a minimal familiarity with the graphical analysis and web information looking up.

OUTCOMES

1315 - Degree in Finance and Accounting

- Comprender y aplicar el método científico, consistente en formular hipótesis, deducir resultados comprobables y contrastarlos con la evidencia empírica y experimental.
- Aplicar los principios del análisis económico al diagnóstico y resolución de problemas.
- Comprender las claves del funcionamiento de la economía de mercado y los efectos de las diferentes estructuras de mercado sobre la eficiencia y la equidad.
- Conocer y comprender los diferentes fallos de mercado: bienes públicos y efectos externos.

LEARNING OUTCOMES

The learning outcomes for the *Principles of Economics (Microeconomics)* course are the following:

- To understand and manage the concepts of introductory microeconomics in order to analyse the real world from an economic perspective.
- To obtain analytical skills and economic reasoning to set and understand economic problems.
- To understand how prices work in a modern economy and how the different markets determine the prices.



- To evaluate critically the importance of the different economic problems, as well as to value the policies designed to deal with them and the consequences of these policies for society.
- Being able of using bibliography, to get and understand it on the basis of the theoretic acquired knowledge.
- To understand the fundamentals of economic institutions in international environment context.
- To understand and have the capacity of analysing nowadays issues individually and in teams.

DESCRIPTION OF CONTENTS

1. Basic principles of economics

- 1.1 Economics of scarcity and the economic approach.
- 1.2 Basic principles of economics: decisions and opportunity cost; interaction between economic agents; how the economy works as a whole.
- 1.3 Economic models: the circular-flow diagram and the production possibilities frontier.
- 1.4 Microeconomics and macroeconomics.
- 1.5 Positive versus normative analysis.

Basic bibliography: Mankiw and Taylor, Chap. 1 and 2. (Appendix included)

2. Supply and Demand

- 2.1 The demand curve: concept, and shifts in the demand curve vs. movements along the demand curve.
- 2.2 The supply curve: concept, and shifts in the supply curve vs. movements along the supply curve.
- 2.3 Supply and demand together: the markets equilibrium.
- 2.4 Changes in equilibrium.

Basic bibliography: Mankiw and Taylor, Chap. 4.

3. Elasticity

- 3.1 The price elasticity of demand.
- 3.2 Total revenue and the price elasticity of demand.
- 3.3 Other demand elasticities.
- 3.4 The elasticity of supply.

Basic bibliography: Mankiw and Taylor, Chap. 5.



4. Supply, demand and government policies and welfare

- 4.1 Controls on prices.
- 4.2 Taxes on a product. The effect of taxes on equilibrium.
- 4.3 Consumer and producer surplus.
- 4.4 Market efficiency.

Basic bibliography: Mankiw and Taylor, Chap. 6 and 7.

5. Production and costs

- 5.1 The production function: total, average and marginal product .
- 5.2 The production function on the long run: returns to scale.
- 5.3 Economic and Accounting costs: Costs considered as opportunity costs.
- 5.4 From the production function to the total cost curve.
- 5.5 Cost curves in the long and short term.

Basic bibliography: Mankiw and Taylor, Chap. 13.

6. Competitive markets

- 6.1 The meaning of competition.
- 6.2 Profit maximization and the supply curve.
- 6.3 The supply curve in a competitive market.

Basic bibliography: Mankiw and Taylor, Chap. 14

7. Monopoly and related concepts

- 7.1 Monopoly. Why monopolies arise.
- 7.2 The equilibrium of the monopoly. Graphical representation.
- 7.3 Efficiency evaluation of monopoly versus perfect competition.
- 7.4 Introduction to oligopoly and monopolistic competition.

Basic bibliography: Mankiw and Taylor, Chap 15, Chapter 16 (pp. 327 332) Chaoter 17 (pp. 355- 360).

8. Asymmetric information

- 8.1 Adverse selection.
- 8.2 Signalling to convey private information.
- 8.3 Moral hazard.

Basic bibliography: Mankiw and Taylor, Chap. 22 (pp. 453-458)

**9. The markets for the factors of production: The labour market**

9.1 The demand for labour.

9.2 The supply of labour: the trade-off between work and leisure.

9.3 Equilibrium in the labour market.

Basic bibliography: Mankiw and Taylor, Chap.18.

WORKLOAD

ACTIVITY	Hours	% To be attended
Theory classes	30,00	100
Classroom practices	30,00	100
Development of group work	7,50	0
Development of individual work	18,00	0
Study and independent work	34,50	0
Preparing lectures	15,00	0
Preparation of practical classes and problem	15,00	0
TOTAL	150,00	

TEACHING METHODOLOGY

The methodology to teach *Principles of Economics (Microeconomics)*, both in lectures and practical classes, is pointing to the capacity of working. More precisely, the methodology used can be described as follows:

- For lectures, the students will prepare in advance the basic readings and the main questions that arise in these readings. The lecturer will combine his explanations with the active participation of students (questions that the teacher and / or its partners can answer, resolution of brief questions raised by the lecturer, group discussion of the issues that have attracted the most interest.) It is intended that students develop both their capacity to autonomous work (work prior to class), and their ability to work together, argue and defend ideas (group discussions) and their ability to communicate orally and in writing (considering their doubts on the subject in public and / or solving the issues the lecturer may have presented to them).

- For practical classes, students will prepare in advance a set of exercises and case studies to work in the classroom. It is intended that students develop their ability to organize forms of group work, problem solving, oral and written communication, coordination of activities and find information on reliable sources. The tasks to be completed by the students can be handed in to the lecturer and assessed.



EVALUATION

The course *Principles of Economics (Microeconomics)* will be assessed by considering, in order of importance, the following aspects:

- 1.- A written final exam consisting of theoretical questions and problems.
- 2.- The evaluation of the practical activities developed by the student during the course, from questionnaires, work / reports and / or oral presentations.
- 3.- Continuous assessment of students, based on participation and involvement of the student in the teaching / learning process.

In the course of *Principles of Economics (Microeconomics)* total assessment is broken down as follows: 30% of the overall mark is the evaluation of the various activities carried out throughout the course and active student participation, which is non-recoverable by any means; and 70% of overall mark is for the final synthesis test.

The final synthesis exam is compulsory and to pass it is a prerequisite to pass the course. The subject will be considered approved if the student gets 5 out of 10, for what he/she may combine continuous assessment and the final synthesis exam. If the student chooses not to perform the tasks of continuous assessment, he/she can only get the points of the final test (7 maximum), and needs to obtain a 5 out of 7 in this exam in order to pass the course. If the student do not pass the course, the estudent will not be able to obtain more than a 4.5 in the global grade, even if the value of the sum of the continuous evaluation and the final synthesis test is higher.

REFERENCES

Basic

- Economía, N.G. Mankiw y M.P. Taylor, 2017, 3ª edición,. Ed. Paraninfo.
- Economics, N.G. Mankiw and M.P. Taylor, 2010, Special edition. Ed. Cengage Learning.

Additional

- Economía, Samuelson & Nordhaus, 2010, 19ª edición. Ed. McGraw Hill.
- Introducción a la Economía: Microeconomía, Krugman & Wells, 2006, Ed. Reverté.
- Principios de Economía, Bernanke & Frank, 2007, 3ª edición. Ed. McGraw Hill.
- Introduction to positive Economics, Lipsey, R.G. & Chrystal, 2004, Oxford University Press.
- Essential Economic Principles, Schiller, B., 2006, Mc Graw-Hill.
- Economics, Samuelson, P. & Nordhaus, 2004, Mc Graw-Hill, 18th ed.



- Introduction to Positive Economics, Lipsey, R. G. & Chrystal, 2004, Oxford University Press.
- Microeconomics and Behaviour, Robert H., Frank, 2010 8th edition Mc Graw-Hill. International Edition.
- Microeconomics, Krugman and Wells, 2005 Worth Publishers.
- The Economy; The CORE team; <https://core-econ.org/the-economy/book/text/0-3-contents.html>

