

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

<b>Code</b>	36124
<b>Name</b>	Microeconomics II
<b>Cycle</b>	Grade
<b>ECTS Credits</b>	6.0
<b>Academic year</b>	2023 - 2024

**Study (s)**

<b>Degree</b>	<b>Center</b>	<b>Acad. year</b>	<b>Period</b>
1316 - Degree in Economics	Faculty of Economics	2	Second term

**Subject-matter**

<b>Degree</b>	<b>Subject-matter</b>	<b>Character</b>
1316 - Degree in Economics	14 - Microeconomics	Obligatory

**Coordination**

<b>Name</b>	<b>Department</b>
PEÑARRUBIA CARRION, CONCEPCION	10 - Economic Analysis

**SUMMARY**

This course is part of the microeconomics matter which, as an element of the basic training, is offered in the 2nd term of 2nd year of the degree in Economics. The aforementioned microeconomics matter includes also the subject Microeconomics I, which constitutes an inexcusable precedent of the contents examined in Microeconomics II.

The basic goal of Microeconomics II is the study of how the real economy works, and in particular the functioning of markets when they are non-competitive. For this reason, particular attention will be paid to the implications derived from agents' market power, including the strategic interdependence among them and the effects of informational asymmetries in the interaction of these agents in markets. As a natural extension to the previous problems, this course also addresses the study of other market failures such as the external effects and public goods.

The course Microeconomics II is structured in five lessons. The first of them examines the behavior of those agents having market power in selling their product (monopoly) or in buying a factor of production (monopsony). The second lesson examines the various strategies of prices, quantities or qualities that firms can use to exert their market power and increase its benefits. The third lesson is devoted to the analysis of markets in which strategic interdependence is the most distinctive element, namely the study



of different models of oligopoly. The fourth lesson addresses the difficulties raised in markets under asymmetric information between the parts, and the ways through which its effects can be mitigated. Finally, lesson five analyzes the problems generated by the existence of externalities and public goods, as well as the mechanisms which may be implemented to solve these market failures.

## PREVIOUS KNOWLEDGE

### Relationship to other subjects of the same degree

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

### Other requirements

To successfully confront this subject, it is desirable that students show a solid understanding of the structure of firms production costs, and the way in which it is assessed the efficiency of the results generated by markets. At the beginning of classes corresponding to the course Microeconomics II, these issues will have already been treated in detail in other subjects like Introduction to Economics I and II, in the first year, and Microeconomics I, in the first semester of the second year.

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## OUTCOMES

### 1316 - Degree in Economics

- Show critical thinking skills.
- Be able to learn autonomously.
- Apply the principles of economic analysis (rational decision) to the diagnosis and resolution of problems.
- Understand and apply the scientific method, which involves formulating hypotheses, deducing verifiable results and contrasting them with empirical and experimental evidence.
- Understand the keys to the functioning of market economy, the difference between normative and positive reasoning and between the concepts of equity and efficiency.
- Know and understand the main market failures (public goods and externalities), their private and public solutions and their influence on the environment and natural resources.
- Understand the effects of the existence of private information in relation to quality and productivity on the functioning and performance of markets and enterprises, as well as their possible private and public solutions.
- Recognise strategic conflicts and know how to use basic strategic principles to obtain cooperation and coordination in incentive problems.



## LEARNING OUTCOMES

1. To have the microeconomics knowledges that allow for both the analysis and the interpretation of real facts from an economic perspective.
2. To understand the role of prices in the economy, as well as the form in which they are determined on different types of market.
3. To understand the role of markets and the strategic interactions in those markets, as an aspect that conditions the design of economic policies and institutions.
4. To be able to critically evaluate the importance of a variety of economic problems as well as the social impact from the policies tailored to deal with those problems.
5. To use analytical reasoning, both to set and solve economic problems.
6. To understand and analyze relevant current economic issues, both individually and in teams.
7. Be able to collect, to structure and interpret bibliographic sources on a given topic, on the grounds of the acquired theoretical knowledge.

## DESCRIPTION OF CONTENTS

### 1. MONOPOLY AND MONOPSONY

- 1.1 The monopolists output decision.
- 1.2 Sources of monopoly power.
- 1.3 The social cost of monopoly power.
- 1.4 Non-competitive input markets.

[PR9] Chapter 10 (pp. 347-386) and Chapter 14 (pp. 538-547)

[PR8] Chapter 10 (pp. 349-387) and Chapter 14 (pp. 537-546)

### 2. PRICING STRATEGIES WITH MARKET POWER

- 2.1 Price discrimination.
- 2.2 The two-part tariff.
- 2.3 Product differentiation.

[PR9] Chapter 11 (pp. 391-410 and 421-425) and Chapter 12 (pp. 444-448)

[PR8] Chapter 11 (pp. 391-411 and 422-426) and Chapter 12 (pp. 444-448)



### **3. OLIGOPOLY**

- 3.1 Equilibrium in an oligopolistic market.
- 3.2 The Cournot model.
- 3.3 The Stackelberg model.
- 3.4 The Bertrand model.
- 3.5 Price leadership.
- 3.6 The collusion model. Prisoners' dilemma and collusion instability.

[PR9] Chapter 12 (pp. 448-474)

[PR8] Chapter 12 (pp. 449-474)

### **4. ASYMMETRIC INFORMATION**

- 4.1 Moral hazard and adverse selection.
- 4.2 The principal-agent problem.
- 4.3 Asymmetric information in the labor market: efficiency wage theory, monitoring costs.

[PR9] Chapter 17 (pp. 623-644 and 647-649)

[PR8] Chapter 17 (pp. 619-640 and 643-645)

### **5. EXTERNALITIES AND PUBLIC GOODS**

- 5.1 Externalities: definition and types.
- 5.2 Property rights and the Coase theorem.
- 5.3 Public policies for the correction of externalities.
- 5.4 Public goods: efficient and competitive provision.
- 5.5 The free rider problem.
- 5.6 The tragedy of the commons.

[PR9] Chapter 18 (pp. 653-687)

[PR8] Chapter 18 (pp. 649-685)

**WORKLOAD**

ACTIVITY	Hours	% To be attended
Theory classes	45,00	100
Classroom practices	15,00	100
Development of individual work	5,00	0
Study and independent work	40,00	0
Readings supplementary material	1,00	0
Preparation of evaluation activities	20,00	0
Preparing lectures	12,00	0
Preparation of practical classes and problem	12,00	0
<b>TOTAL</b>	<b>150,00</b>	

**TEACHING METHODOLOGY**

Methodologically, teaching in theory and practice classes of Microeconomics II will focus on the combination of the capacity of individual work with the capacity to work in teams. In a more specific way, this methodology can be described as follows:

- Theory classes. Students must deal with basic readings to prepare each class in anticipation, which in turn leads to a ground for subsequent theory explanations in class. The teacher will explain the main contents of the subject and answer questions raised by students either from their previous work at home or during the development of the lecture. Additionally, the teacher could combine their own explanations with the students' active participation. In doing so, the goal is that students develop their capacity to work individually (by using their work prior to class sessions) and also their oral and written skills (by raising questions in public and/or writing down solutions to questions). The student's work, previous and/or posterior to the development of theoretical contents, could be subject to continuous assessment by the teacher during the semester.
- Practice classes. Students must deal with a set of exercises and practical cases in order to prepare each class in advance. On the one hand, each student must prepare these tasks individually. On the other hand, students will be asked to solve in teams and explain publicly in class the corresponding solutions. In doing so, the goal is that students develop their ability to organize forms of teamwork that solve problems, to communicate in verbal and written form, to coordinate different activities and, finally, search for information from reliable sources. The assigned tasks, either individually or in teams, could lead to "problem sets" evaluated by the teacher.

**EVALUATION**





The course mark in *Microeconomics II* depends on the performance in two different components:

- A written final exam.

- The continuous assessment of the activities proposed by the teacher and developed by the student during the semester. These activities may consist of multiple choice type tests and problem solving exercises.

Continuous assessment will represent 30% of the overall mark for the subject.

The grading in *Continuous Assessment* activities is non-recoverable. It is not possible to design a test within the context of the second call of final examination that is able to reflect and assess the goals for which these activities are intended: effort to learn and progress in the acquisition of knowledge.

The final exam will be scored with 7 points maximum. This exam is mandatory, and to pass the written exam is an essential condition to pass the course.

To pass the exam, the student who has done the continuous assessment activities must obtain a minimum of 3.5 points.

If the final exam is failed the final mark, which shall be determined by adding the continuous assessment and the final exam scores, in no case will exceed 4.5 (out of 10).

In case the student has not done the activities corresponding to the continuous assessment, he/she can only get the written final exam score (7 maximum), and therefore he/she will need to obtain 5 out of 7 in this exam to pass the course.

## REFERENCES

### Basic

- Pindyck, R. S. y D. L. Rubinfeld, *Microeconomía*, 9ª ed., 2018. Pearson Educación, S.A. ISBN: 978-84-9035-574-9. [PR9]
- Pyndick, R. S. y D. L. Rubinfeld, *Microeconomía*, 8ª ed., 2013. Pearson Educación, S.A. ISBN: 978-84-1555-247-5. [PR8]

### Additional

- Frank, R. H., *Microeconomía y conducta*, 7ª ed., 2009. McGraw-Hill.
- Goolsbee, A., S. Levitt y Ch. Syverson, *Microeconomía*, 2015. Reverté.
- Laidler, D. y S. Estrin, *Microeconomía*, 4ª ed., 1995. Prentice Hall.
- Pashigian, B. P., *Teoría de los precios y aplicaciones*, 1996. McGraw-Hill.
- Perloff, J., *Microeconomía*, 4ª ed., 2007. Pearson Addison-Wesley.



- Nicholson, W., Microeconomía intermedia y aplicaciones, 9ª ed., 2006. Thomson Editores Spain.
- Varian, H., Microeconomía intermedia: un enfoque actual, 8ª ed., 2011. Antoni Bosch editor.

