

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

<b>Code</b>	36793
<b>Name</b>	Microeconomics II
<b>Cycle</b>	Grade
<b>ECTS Credits</b>	6.0
<b>Academic year</b>	2022 - 2023

**Study (s)**

<b>Degree</b>	<b>Center</b>	<b>Acad. Period</b>
1933 - D.D. in Law-Economics 2022	Doubles Studies Faculty of Law - Faculty of Economics	2 Second term

**Subject-matter**

<b>Degree</b>	<b>Subject-matter</b>	<b>Character</b>
1933 - D.D. in Law-Economics 2022	2 - Asignaturas de segundo curso	Obligatory

**Coordination**

<b>Name</b>	<b>Department</b>
RUIZ TAMARIT, JOSE RAMON	10 - Economic Analysis

**SUMMARY**

This course is part of the matter Microeconomics, is an element of the basic training and is taught in the second term of the second year of the Double Degree Law-Economics. The matter Microeconomics also encompasses the subject Microeconomics I, which constitutes an essential background of the contents that are examined in Microeconomics II.

The basic goal of Microeconomics II is to study the functioning of markets in an economy that violates some of the basic assumptions of perfect competition. In this course, special attention is devoted to the consequences of the exercise of market power by firms, to the different types of equilibrium that can be found when the interaction between economic agents is characterized by strategic interdependence, to the effects of asymmetric information for the agents involved in market transactions, and to the implications for the market equilibrium when two important and omnipresent market failures are considered: externalities 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 term of the second year.

On the other hand, it is advisable that students have some basic knowledge of mathematic calculus allowing them to solve simple problems of optimization, as well as to handle with ease in the graphic representation of functions.

## OUTCOMES

### LEARNING OUTCOMES

1. To reach 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 Market power and its determinants.
- 1.2 Monopoly equilibrium.
- 1.3 The cost of monopoly power: inefficiency.
- 1.4 Multi-plant monopoly.
- 1.5 Monopoly regulation.
- 1.6 Non-competitive labor 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.
- 2.4 Advertising.

[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 Strategic behavior 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.

[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 Environmental externalities, greenhouse effect and global warming.
- 5.6 The free rider problem. Congestion.
- 5.7 The tragedy of the open-access.

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

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

**WORKLOAD**

ACTIVITY	Hours	% To be attended
Theoretical and practical classes	60,00	100
Study and independent work	30,00	0
Preparing lectures	30,00	0
Preparation of practical classes and problem	30,00	0
<b>TOTAL</b>	<b>150,00</b>	

**TEACHING METHODOLOGY**

The methodology applied to teach the subject Microeconomics II tries to combine the individual work capacity of each student with the dynamic interaction in the classroom with the teacher and the other students. Given the nature of the subject, strongly conceptual and quite instrumental, much of the expository weight relies on the activity of the teacher. The work on the blackboard and the projection of slides will be the main support for the teacher's explanations.



- For the more theoretical part of the face-to-face lessons, students will prepare in advance the reference readings that support the explanation of the theory. The teacher will explain the main contents of the subject and will answer any doubts raised by students during the development of the lecture. The professor may alternate his explanations with the active participation of the students. It is intended that students develop both their capacity for autonomous work (with work prior to class sessions) and their oral and written skills (raising their doubts in public and/or writing down solutions to the proposed questions). The study, previous and/or subsequent to the development of the contents of the theoretical program, may give rise to tests that will be subject to continuous assessment by the teacher throughout the term.

- For the more practical part of the face-to-face lessons, students will analyze a set of exercises and practical cases. Each student, individually, will have to prepare the requested tasks. But they will also be asked, either individually or in teams, to try to solve these tasks and, as far as the schedule permits, to make a presentation in the classroom for the classmates. It is intended that students develop their ability to organize forms of work in groups, solve problems, communicate verbally and in writing, coordinate different activities and, finally, search for information in reliable sources. The assigned tasks, whether individual or collective, may give rise to deliveries that will be 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., D. L. Rubinfeld, Microeconomía, 9ª ed., 2018. Pearson Educación, S.A. ISBN: 978-84-9035-574-9. [PR9]
- Pindyck, R. S., D. L. Rubinfeld, Microeconomía, 8ª ed., 2013. Pearson Educación, S.A. ISBN: 978-84-1555-247-5. [PR8]

### Additional

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- Goolsbee, A., S. Levitt, Ch. Syverson, 2015. Microeconomía, Reverté.
- Laidler, D., S. Estrin, 1995. Microeconomía, 4ª ed., Prentice Hall.
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- Perloff, J., 2007. Microeconomía, 4ª ed., Pearson Addison-Wesley.
- Nicholson, W., 2006. Microeconomía intermedia y aplicaciones, 9ª ed., Thomson Editores Spain.
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Aghion, P., C. Antonin, S. Brunel, El poder de la destrucción creativa.

Dasgupta, P., Economía, una breve introducción.

Diamond, J., Colapso.

Harford, T., El economista camuflado, la economía de las pequeñas cosas.

Rodrik, D., Las leyes de la economía.

Ruiz, J., M. J. Murgui, A. Cubel, El model de creixement econòmic valencià.

Stiglitz, J., Los felices 90.

Stiglitz, J., Caída libre.