



SYLLABUS OF DISCIPLINE « Economics: Microeconomics »

Higher education degree – Bachelor

Specialty: 071 Accounting and taxation,
072 Finance, banking and insurance

Educational program: «Accounting and Audit»,
« Finance, banking and insurance »

Year of study 2020, semester III

Form of education – full time

Number of credits ECTS: 5

Language – English

Lecturer:
Lecturer contact
information (e-mail)
Course page in eLearn

PhD in Economics, Associate Professor Yurii Vlasenko
Department of Economic Theory, Building # 10, Room 414
yuriywinner@ukr.net
<https://elearn.nubip.edu.ua/course/view.php?id=1733>

Synopsis

Economics is the study of tradeoff decisions such as these – which course to take, economics or psychology; which decision to make in the mornings, sleeping in or coming to class; which car to buy, Honda or Ford. Economics recognizes that we face limited opportunities and limited time and that we must, at some point, make tradeoff decisions that affect our everyday lives. How do we approach such difficult choices?

Microeconomics, in particular, is the study of how households and firms make these types of decisions. This course is an introduction into the kind of thinking that makes internal tradeoff decisions explicit. We will focus on gaining a sound understanding of the essential tools necessary to appropriately analyze basic microeconomic models – but applied contexts will never be far behind. You will leave this course with a better understanding of the economic way of thinking when approaching the difficult decisions that must be made every day. Most importantly, this course will present you with a method for understanding contemporary policy issues that will lead to clearer, more objective thinking.

Course Objective: Microeconomics is the first subject of the training cycle in Economic Theory. Its importance and, at the same time, complexity arises from the fact that it is the first time the student becomes familiar with current economic models. Over the course the student will learn to formalize economic phenomena and gain an understanding of their workings. The course covers the basic economic models of consumer theory, production theory, and partial equilibrium.

To provide a thorough introduction to economic theory. Starting from the basic ideas of tradeoffs, opportunity cost, and the benefits of trade, we will study how the market forces of supply and demand cause prices to be what they are. We will see the sense in which market economies are efficient, and the way governments can make our economy less or more efficient. We will delve behind the supply curve to see how firms choose their production levels to maximize profits, culminating in the model of perfect competition. Time permitting, we will look at market failures such as imperfect competition (monopoly and oligopoly) and externalities.

Requirements: The course takes a first deep look at Microeconomics. The previous knowledge required to follow this class are divided into two parts:

- Knowledge of basic mathematics: Algebra, Probability, Optimization. Most of this knowledge is basic, and students have acquired it before University. Other parts they have learned during the first year at the University in the courses of Mathematics and Data Analysis.

- Basic knowledge of economics: Basic knowledge acquired during the first year of Bachelor studies. Building on topics covered in Introduction to Economics, in Microeconomics the student learns how to model economic reality.

COURSE STRUCTURE

| Topic | Hours (lectures/ seminars) | Study results | Tasks | Evaluations |
|----------------------------------------------------------|----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|--------------------------------------------|
| First semester | | | | |
| Midterm exam # 1 | | | | |
| Topic 1. The subject and method of microeconomics | 2/2 | As a result of studying this topics, the student must: know the concepts: limited resources and alternative use of resources, subjects and objects of economic relations at the micro level, methods of microeconomic analysis, normative and positive microeconomics, demand, supply, comparative statics and dynamic analysis and equilibrium; demand, demand function, demand elasticity, absolutely elastic and absolutely inelastic demand, as well as the method of calculating the coefficients of direct and cross elasticity of demand, income elasticity; | Tests, discussion questions, solution of problems, graph analytical exercises. Independent work, Elern. | Execution and delivery of laboratory works |
| Topic 2. Demand, supply and their interaction | 2/2 | understand: the essence and purpose of microeconomic theoretical analysis, its conceptual foundations; the place of microeconomics in the general theoretical economy, the role of this field of knowledge in the formation of methodological, terminological and instrumental base of applied economics; the law of demand and its explanation, features of influence of price and non-price determinants of demand, quantitative displays of sensitivity of consumers to change of the price of a certain goods, the price of the goods connected with it, own income; | | |
| Topic 3. Elasticity of demand and supply | 2/2 | be able to: explain the connection with other disciplines of theoretical economics; show the logical and structural construction of this discipline; identify the main problems of microeconomics and the main methods of research used by microeconomics; perform graphical construction of the demand line, illustrate the change in demand and demand in general, calculate the coefficients of elasticity of demand, determine the effects of changes in prices on producer earnings at different price elasticity of demand for goods. | | |
| Topic 4. The theory of consumer behavior | 2/2 | know the concepts: need, good, anti-good, usefulness, rational choice, consumer balance, indifference curve, MRS; understand: the effect of the law of diminishing marginal utility of goods, Gossen's laws, the rationale for rational consumer choice; | | |
| Topic 5. The market and individual demand | 2/2 | be able to: model consumer behavior taking into account the declining marginal utility of the good; calculate indicators of total and marginal utility, graphically interpret their dynamics; to find the optimal option of consumer choice on the basis of the equimarginal principle of equality of weighted marginal utility, etc; calculate the marginal rate of substitution, perform a graphical construction of the indifference curve and the budget line. | | |

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| Topic 6. The theory of the firm: production | 2/2 | know the concepts: isoquant, isocost, production function, proportional variation of factors of production, substitution effect, output effect, MRTS, X-efficiency, economies of scale; understand: the relationship between variations in factors of production, output; conditions for choosing a combination of production factors according to the criterion of minimizing costs or maximizing output, the limits of expansion of production in the short run and the optimal path of its development in the long run; the relationship between the function of production and the function of costs in the short and long term, the principle of inevitable growth of marginal costs (decrease in profitability) and its manifestation in the short and long term; be able to: perform technical and economic calculations related to the analysis and justification of management decisions to expand and curtail production; calculate production costs and perform economic justifications for choosing the minimum effective size of the enterprise and the optimal capacity of the existing enterprise. | Tests, discussion questions, solution of problems, graph analytical exercises. Independent work, Elern. | Execution and delivery of laboratory works |
| Topic 7. The theory of the firm: cost of production | 2/2 | | | |
| Possibility to receive additional points: | Additional points can be obtained for preparing a report and participating in a student conference | | | 5 |
| Midterm exam # 1 | | | | 100x0,7 |
| Midterm exam # 2 | | | | |
| Topic 8. The market of perfect competitiveness | 2/2 | As a result of studying this topics, the student must: know the concepts: perfect competition, demand of a competitive enterprise, supply curve of a competitive enterprise, profit paradox, profit maximization, loss minimization, antitrust policy, antitrust law, Herfindal index, Lerner index. understand: maximization and minimization goals of the enterprise in the short term; universal rules of conduct of the enterprise (choice of optimal volumes of production) in the conditions of change of a market situation; how market equilibrium is formed, the impact of changes in supply and demand on the state of equilibrium (equilibrium price and equilibrium volume); the mechanism of establishing the balance of the enterprise and the industry in the event of economic profits or losses; | Tests, discussion questions, solution of problems, graph analytical exercises. Independent work, Elern. | Execution and delivery of laboratory works |
| Topic 9. Monopoly | 2/2 | be able to: determine the quantity of production that maximizes profits or minimizes losses or ensures break-even operation; calculate the total profit and profit per unit of output, equilibrium prices, supply values of a competitive enterprise; to substantiate the line of conduct of the enterprise under the conditions of dynamic market conditions; to diagnose the monopoly power, to determine the optimal for the monopolist ratio of prices and volumes of output determine the optimal output of the enterprise under conditions of duopoly. | | |
| Topic 10. The market of monopolistic competitiveness | 2/2 | | | |
| Topic 11. Oligopoly | 2/2 | | | |

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| Topic 12. The markets for the factors of production | 2/2 | <p>As a result of studying this topics, the student must:</p> <p>know the concepts: derived demand, revenue from the marginal product of the factor, marginal factor costs, the elasticity of demand for factors of production; wages, labor discrimination, bilateral monopoly and monopsony in the labor market.</p> <p>understand: the economic nature of the distribution of revenues according to the theory of the market of factors of production; basics of choosing the optimal combination of factors of production to maximize the manufacturer's profit; formation of demand, supply of factors of production and pricing mechanism;</p> <p>be able to: calculate the rate of revenue from the marginal product, the elasticity of demand for the resource, to derive the demand function for the factor of production; determine the need for factors of production in accordance with the rules of maximizing profits and minimizing costs of the producer, determine the prices of factors and distribution of revenues through the interaction of factors of production and derivative demand for them.</p> | <p>Tests, discussion questions, solution of problems, graph analytical exercises. Independent work, Elern.</p> | <p>Execution and delivery of laboratory works</p> |
| Topic 13. Labor market | 2/2 | | | |
| Topic 14. Capital market | 2/2 | | | |
| Topic 15. Land market | 2/2 | | | |
| Possibility to receive additional points: | Additional points can be obtained for preparing a report and participating in a student conference | | | 5 |
| Midterm exam # 2 | | | | 100x0,7 |
| Total for the 1 semester | 30/30 | | | 70 |
| Final Exam | 10 | | | 30 |
| Total for the course | | | | 100 |

EVALUATION POLICY

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|-------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Deadline and recompilation policy: | <p>Works that are submitted in violation of deadlines without good reason are evaluated at a lower grade. Rearrangement of modules takes place with the permission of the lecturer if there are good reasons (for example, hospital).</p> |
| Policy on Academic Integrity: | <p>Write-offs during tests and exams are prohibited (including the use of mobile devices). Course papers, abstracts must have correct text references to the literature used.</p> <p>For smooth and equitable management of the exams in this course, the following requirements should be noted. (Experienced test-takers already know all this.)</p> |
| Visiting policy: | <p>Attendance is mandatory. For objective reasons (for example, illness, international internship) training can take place individually (in online form in consultation with the dean of the faculty)</p> <p>This schedule will be followed as closely as possible, but, as may happen, we may at points in the course finds ourselves a little ahead, or a little behind of schedule. To keep abreast of what will be required of you in the exams your best bet is to come to class. Your second best bet is to check the course website for announcements and updates. You are expected to read all required material BEFORE coming to lecture – believe me, this is in your best interest as it will aid in your understanding of the material, and also help you to participate in what I hope will be an active and lively classroom discussion.</p> |

STUDENT EVALUATION SCALE

| Rating of the applicant of higher education, points | National assessment for the results of Exams / Tests | |
|-----------------------------------------------------|------------------------------------------------------|--------------|
| | Final Exam | Test |
| 90-100 | Excellent | credited |
| 74-89 | Good | |
| 60-73 | Satisfactorily | |
| 0-59 | Unsatisfactorily | not credited |

Main reading

1. Varian, Hall (1992): *Microeconomic Analysis, Third Edition*, W. W. Norton & Company, Inc., New York.
2. Mas-Colell, Andreu, Whinston, Michael and Jerry Green (1995): *Microeconomic Theory*, Oxford University Press, Oxford, New York.
3. Gibbons, Robert (1992): *Game theory for Applied Economists*, Princeton University Press, Princeton, New Jersey.
4. Timothy Taylor. *Principles of Microeconomics: Economics and the Economy* (4th Edition), Textbook Media: 2017
5. Varian, H. R. *Intermediate Microeconomics*. 7th or 8th. Edition
6. Піндайк Р., Рубінфельд Д. Л. Мікроекономіка / Пер. с англ. А. Олійника, Р. Скільського. – К.: Основи, 2006. – 646 с.
7. Мікроекономіка і макроекономіка: Підруч. Для студентів ек. спец. закл. освіти: У 2 ч. / С. Будаговська, О. Кілієвич, І. Луніна та ін.; За заг. ред. С. Будаговської. – К.: Вид-во Соломії Павличко “Основи”, 2003. – 517 с.