**1. Name of course: Principles of Microeconomics**

**2. Lecturers:** Sergey Lychagin (lychagins@ceu.edu) and

Tímea Laura Molnár (molnartl@ceu.edu),

both at [CEU Department of Economics and Business](https://economics.ceu.edu/).

**3. No. of credits:** 4 (8 ECTS credits)

**4. Semester or time period of the course:** Fall Term 2020

**5. The status of the course:** Mandatory in the 1st year of Bachelor of Arts in Philosophy, Politics and Economics (PPE)

**6. Other information**: The Teaching Assistant for the course is PhD student Yen Nguyen Bao (nguyen\_thi-bao-yen@phd.ceu.edu). She will hold TA Office Hours/TA Discussion Group on weeks 3,5,7,9,11 (Room and Time TBA), on which attendance is not compulsory but highly recommended. Questions regarding the assignments, the assignment solutions and grading should be directed to the TA.

All teaching materials (lecture notes, assignments, assignment solutions, more practice problems and other materials) will be uploaded to Moodle. The CEU Vienna Library will have copies available of the Mankiw Textbook (that is optional reading).

**7. Brief introduction to the course outlining its primary theme, the goals of the course and the place of the course in the overall program of study:**

This course presents the foundations of microeconomics, including individual decision-making, theory of the firm and the concept of market equilibrium. The course introduces the main economic actors (households and firms) and shows how they interact in the markets. We will discuss scenarios in which markets work well and in which they fail.

Most importantly, we aim to develop basic intuition about market forces and help students recognize how these forces work together to shape the world around us. Microeconomic theory provides the building blocks and the language all economists are using. A thorough knowledge of microeconomics will be crucial in any economics course students take in the future.

**8. The learning outcomes of the course**

At the completion of their work for this course, students will be versed in the following:

* Basic principles of microeconomics,
* Basic consumer theory,
* Theory of production,
* Market equilibrium under perfect competition,
* Important causes of market failures,
* Inefficiencies arising from non-competitive market conduct,
* Basic arguments underlying popular economic policies.

**9.** **Content and textbooks/readings:**

**A. Required:** the free online interactive text produced for the CORE project (“*Curriculum Open-Access Resources in Economics Project*”), *available at* www.core-econ.org, and also in hard copy: The CORE Team (2017), The Economy, Oxford University Press [hereinafter, “Core Textbook”].

**B. Optional:** Selected chapters will be used from the textbook of Gregory Mankiw (“*Principles of Economics*,” 8th edition, South-Western College Pub [hereinafter, “Mankiw Textbook].

**Week 1: Introduction into the Field of Economics and its Basic Principles**

Introduction into basic principles of economics as it pertains to decision-making (using concepts of scarcity, trade-offs, “no free lunch”, opportunity cost, rationality, thinking in marginal terms, and responding to incentives) and to interactions (trade, markets, “the invisible hand”, and governmental interventions). Introduction into how economists think, typical approaches they use and examples of research questions they analyze. Example of an economic model: Production Possibilities Set/Frontier.

Optional Reading: Chapters 1&2 in the Mankiw Textbook.

Lecture slides will be provided.

**Weeks 2-3: Economic Decision-Making and Individual Demand**

Discussion of individual decision-making, such as choosing working hours within a feasible set or the optimal bundle with two goods given the budget constraint and preferences (indifference curves, utility, income effect and substitution effect).

Reading: Chapter 3 in the Core Textbook;

(Optional) Chapter 21 in the Mankiw Textbook.

**Weeks 4-5: Social Interactions**

Discussion of individual decision-making, given what others do (game theory, social dilemmas, self-interest, social preferences, altruism, laboratory experiments).

Reading: Chapter 4 in the Core Textbook.

**Week 6: Bilateral Trade**

Discussion of individual decision-making, given what others do, and given the rules of the game (institutions, bargaining power, Pareto efficiency).

Reading: Chapter 5 in the Core Textbook.

**Weeks 7-8: The Monopolistic Firm and Its Pricing Strategy**

How firms price their products. Production costs, the shape of the consumer demand curve and how they affect what the consumer pays.

Reading: Chapter 7 in the Core Textbook.

**Weeks 8-9: Equilibrium in Perfectly Competitive Markets**

Demand and supply curves. Price-taking behavior and when it tends to occur. Equilibrium price and quantity. Market as a computing device. Equilibrium in the long run; entry, exit.

Reading: Chapters 8 and 11 in the Core Textbook.

**Week 10: Market Failures**

Externalities. Adverse selection. Public goods.

Reading: Chapter 12 in the Core Textbook.

**Weeks 11-12: Specific Markets**

Labor market: unemployment, effect of demand on wages, minimum wage. Banks and credit markets: reasons for borrowing and saving, interest rates, lending risks. Insurance.

Reading: Chapters 9 and 10 in the Core Textbook.

**10. Assignments, with deadlines and description:**

Students are required to complete short quizzes, consisting of multiple-choice questions, at the beginning of each of the 2nd lectures in weeks 2-5 and 7-11.

Students are also required to submit assignments (problem sets) at the beginning of each of the 1st lectures on weeks 2-5 and 8-11. Late submissions will earn zero credit.

**11. Assessment:**

*Quizzes:* 8% of the final grade (9 in total, best 8 count)

*Weekly Assignments:* 24% (8 in total, best 6 count)

*Midterm Exam on Week 6:* 24%; on November 5, 2020 (in class)

*Final Exam on Week 12:* 44%; on December 17, 2020 (in class)

Students who miss the midterm exam earn zero credit on the midterm, unless presenting a doctor’s note for medical reasons, or in a justified case (e.g., extenuating family circumstances, or funerals) that needs to be requested in advance, in writing (via email) to the program coordinator. Students who miss the midterm exam and present either a doctor’s note for medical reasons, or have their justified case approved will have their final exam reweighted, with a weight of 68% (44%+24%).

Students who fail to achieve the minimum score to pass the course can retake the final exam. If a retake is successful, the student’s final grade cannot be higher than B+.

**12. Attendance:**

As specified in the BA Student Handbook 2020/2021, regular class attendance is a precondition for course completion. Students who miss three or more classes, either excused or unexcused, cannot receive a passing grade. Under special circumstances students may request an exception to this rule. In justified cases (e.g., extenuating family circumstances, or funerals) permission for absence should be requested in advance, in writing (via email) to the program coordinator.

**13. Weekly Break-Down of Schedule**

