

1. Name of course: Principles of Microeconomics (UGST4017); Central European University, Department of Economics and Business

2. Instructors: [Sergey Lychagin \(lychagins@ceu.edu\)](mailto:lychagins@ceu.edu) (Associate Professor) and [Tímea Laura Molnár \(molnartl@ceu.edu\)](mailto:molnartl@ceu.edu) (Assistant Professor), both at [CEU Department of Economics and Business](#).

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

4. Semester or time period of the course: Fall Term 2023; between September 18, 2023 and December 8, 2023.

Lectures: each week on **Tuesdays, 8.20-9.20 and 9.30-10.30 in QS A516** – attendance mandatory for all.

Seminars: each week of **Thursdays, Group A: 8.20-9.20 and 9.30-10.30 in QS A415; Group B: 13.50-14.50 and 15.00-16.00 in QS A516**; course participants are randomly assigned to either Group A or Group B – attendance mandatory for all.

(Optional) TA Discussion Groups: on weeks 2,3,4,5,8,9,10,11, Fridays, 15:20-16:20; join in-person (QS D105) or online ([ZOOM Link](#)).

(Optional) TA Drop-in Office Hour: on weeks 2,3,4,5,8,9,10,11, Mondays, 9:20-10:20; join in-person (QS D105) or online ([ZOOM Link](#)).

Note: no class on Week 6, Thursday, October 26 (Public holiday in Austria).

5. The status of the course: Mandatory in the 1st year of Bachelor of Arts in Philosophy, Politics and Economics (PPE); Mandatory in the 2nd year of Bachelor of Arts / Bachelor of Science in Data Science and Society

6. Other information:

- The Teaching Assistants for the course are Soheila Noori (NooriS@ceu.edu, for weeks 1-6) and Niccolo Borri (borri_niccolo@phd.ceu.edu, for weeks 7-12).

The TAs will hold TA Discussion Groups on which attendance is not compulsory but highly recommended, as the solution of the (already submitted) HW assignments will be presented and discussed. Questions regarding the HW, the solutions and grading should be directed to the TAs. The TAs will also hold TA Drop-in Office Hours on which attendance is not compulsory but highly recommended, as students will have a chance to ask questions re: solving the HW assignment to-be-handed-in that week.

- All teaching materials (lecture notes, assignments, assignment solutions, more practice problems and other materials) will be uploaded to Moodle.

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 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:

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”].

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.

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, pp. 87-129.

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, pp. 131-179.

Week 5-6: 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, pp. 183-223.

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, pp. 265-310.

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, pp. 313-350, 461-464, 468-474.

Week 10: Market Failures

Externalities. Adverse selection. Public goods.

Reading: Chapter 12 in the Core Textbook, pp. 503-533.

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: Parts of chapters 9 and 10 in the Core Textbook. The exact content will depend on the time left in the course. The relevant pages will be announced at least one week in advance.

10. Assignments, with deadlines and description:

Students are required to complete short quizzes, consisting of multiple-choice or T/F questions, at the beginning of each of the Tuesday lectures in weeks 2-5 and 8-12.

Students are also required to submit Homework (HW) assignments (problem sets), due on Monday midnight, on weeks 2-5 and 8-11. Late submissions earn zero credit. Students are allowed (even encouraged) to work in study groups on HW assignments; but everyone is required to submit their own assignment spelling out the solution on their own; copying from other students will lead to zero grade for that HW assignment, for all parties involved.

11. Assessment:

Quizzes: 8% of the final grade (9 in total, best 8 count), at the start of Tuesday class, on weeks 2,3,4,5,8,9,10,11,12. There are no make-up quizzes for missed quizzes due to absenteeism. Quizzes while a student is justified absent, are excluded from the count, for a given absent student, and the rest is reweighted to sum up to 8%.

Homework (HW) Assignments: 24% (8 in total, best 6 count), due on Monday at 23:59, on weeks 2,3,4,5,8,9,10,11. There are no make-up assignments for missed or late assignments.

Midterm Exam on Week 6: 24%, on **Tuesday, October 24, 8.20-10.30**, in class.

Note: there is no class on Week 6, Thursday, October 26 (Public holiday in Austria: Austrian National Day (Day of the Declaration of Neutrality)).

Final Exam on Week 12: 44%, exact time and venue TBA.

Students who miss the midterm exam earn zero credit on the midterm, except in a justified case as defined in the **BA Student Handbook 2023/2024** ([here](#)), that needs to be requested in advance, following the procedure (“PROCEDURAL ANNEX: Attendance Policy 2023-2024”) on pp.27-28). Students who miss the midterm exam and 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 are allowed to rewrite the final exam, as specified on p.14 in the **BA Student Handbook 2023/2024**.

12. Attendance:

Attendance requirements in this course are the ones specified in the **BA Student Handbook 2023/2024** (available [here](#)). In particular:

- As specified in the **BA Student Handbook 2023/2024**, regular in-person class attendance is a precondition for course completion. Students who have non-excused absences for more than 1 hour of class per US credit hour (i.e., 4 hour in this course) cannot receive a passing grade. In justified cases (for example, health reasons, funerals, residence permit-related appointments, etc.), permission for absence should be requested in advance, following the procedure (“PROCEDURAL ANNEX: Attendance Policy 2023-2024”, pp.27-28).

- As required in the **BA Student Handbook 2023/2024**, “[i]nstructors are responsible for keeping track of attendance” (p.27). *Instructors in this course will check attendance at the beginning of the 1st hour of each lecture and seminar. Students who are late for this attendance check should indicate in the 10-minutes break to the instructor that they have arrived, to be marked as present for the 2nd hour of the session.*

- As specified in the **BA Student Handbook 2023/2024** (p.28), “[s]tudents must attend a minimum of 70% of the regularly scheduled class hours in a course to be considered in regular attendance. Students who miss more than 30% of class hours in total cannot receive a passing grade and will be asked to go on leave.”