



Universidad  
de Alcalá

# COURSE GUIDE

## MICROECONOMICS I

**Degree in International Business and  
Economics**

**University of Alcalá**

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**Academic Year 2020/2021**

**Year 2 – Term 1**



Course Name:	<b>Microeconomics I</b>
Code:	<b>360009</b>
Degree Course:	<b>Degree in Economics and International Business (ENI)</b>
Subject Area:	<b>Department: Economics Area: Foundations of Economic Analysis</b>
Type:	<b>Compulsory</b>
ECTS Credits:	<b>6 credits</b>
Year and Term:	<b>Year 2 – Term 1</b>
Course Conveners:	<b>Purificación Granero Gómez <a href="mailto:purificacion.granero@uah.es">purificacion.granero@uah.es</a></b>
Teaching hours:	<b>To be announced</b>
Language of Instruction:	<b>English</b>

## 1. OVERVIEW

Once students have completed the course 'Introduction to Economics' and understand the basic concepts and tools of economic analysis, this subject develops questions specifically relating to microeconomics. To that end this course will build upon the topics introduced in Year 1, developing corresponding analytic models. Microeconomic analysis provides the tools necessary to understand and analyze the behavior of economic agents and the decision-making processes surrounding the issues raised. It allows the development and understanding of the need of economic policies and, in general, of the way in which the modern economy functions.

The study of microeconomics provides the student with a technical vocabulary and allows them to use the economic criteria of the efficient allocation of resources to tackle the solution of problems.

In particular, the course 'Microeconomics I' centers around the fundamental content of theories of consumer choice and business.

The course is structured in four parts. The first part focuses on introducing the course content and revising some of the basic concepts studied in the course 'Introduction to Economics'.

The second part of the course analyzes the economic theory of consumer choice, in order to describe how consumers maximize their well-being according to their preferences and limitations. The ultimate goal of this part is to develop the concept of demand, and to determine what market demand is. Through models based on the

specification of individual preferences and utility theory, students analyze indifference curves showing the behavior of individuals regarding the possibility of making exchanges. Then, the model of utility maximization is introduced, which allows the analysis of how individuals react to variations in the price of goods, allowing the deduction of the function of individual demand. With this information, students can proceed to derive the function of market demand and study its flexibilities.

The third part of the course analyzes the economic theory of production and of production costs. The unit of analysis is the business, which should determine what to produce, with what resources and the quantity of resources available. In the first instance, it is established which of the different productive factors are production relations in order to determine the function of production, the production map and its main characteristics. From this point it is possible to explain how the business makes production decisions to minimize costs and how these costs vary as a result of variance in production, in order to calculate the functions of costs, both in the long- and short-term.

Finally, the fourth part of the course analyzes the conditions necessary for a business to determine the amount that it is prepared to offer in order to meet its objective and reach the highest level of profit within the framework of the competitive market. In this way it is possible to discern the supply function of a competitive business.

This course, together with Microeconomics II and Macroeconomics I and II, constitutes the core part of the fundamentals of Economic Analysis. Its study will allow access to other materials related to economic theory and applied economic analysis that will be taught in the other courses.

## 2. SKILLS

### General Skills:

1. Reading comprehension, analysis and synthesis skills, allowing the student to reach a basic, but well-founded knowledge of the key concepts and techniques of modern microeconomic analysis.
2. Supply the necessary tools for accurate understanding of the behavior of microeconomic phenomena.
3. Ability to develop and deploy basic analytical models, both individually and as part of a team.
4. Develop information-gathering skills, the use of databases and academic search engines that relate to economic science.
5. Gain first-hand and practical experience in the use of new technologies to obtain information relevant to the understanding of microeconomic phenomena.
6. Begin to build argumentative ability with the support of the textbooks and other references supplied throughout the course.
7. Develop ability to communicate and correctly express ideas, both written and oral.
8. Strengthen independent learning and teamwork skills.

## Specific Skills:

1. Acquire an accurate knowledge of the technical language used in microeconomic analysis.
2. Become familiar with key real-world microeconomic problems.
3. Reflect on, question, compare and critically analyze microeconomic problems.
4. Form opinions and defend points of view, debate and evaluate hypotheses and establish conducts and behaviors.
5. Be able to apply the basic microeconomic techniques and models to real-world situations and problems.

**3. CONTENT**

TOPICS (topics may be specified if considered necessary)	Total classes, credits or hours
<b>Part I. Introduction to Microeconomics</b>  Topic 1. Nature and scope of microeconomic theory <ul style="list-style-type: none"> <li>- What is microeconomics?</li> <li>- The behavior of economic agents</li> <li>- Supply and demand</li> </ul>	1 topic: 2 sessions <ul style="list-style-type: none"> <li>• 1 theory class</li> <li>• 1 practical class</li> </ul>
<b>Part II. Consumer theory</b>  Topic 2. Consumer behavior <ul style="list-style-type: none"> <li>- Consumer preferences</li> <li>- Marginal utility</li> <li>- Budgetary restriction</li> <li>- Consumer choice</li> </ul> Topic 3. Individual demand and market demand <ul style="list-style-type: none"> <li>- Reduction of ordinary demand</li> <li>- Effect of variance in income</li> <li>- Effect of price: Income Effect and Replacement Effect</li> <li>- Consumer surplus</li> </ul>	2 topics: 10 sessions <ul style="list-style-type: none"> <li>• 4 theory classes</li> <li>• 4 practical classes</li> <li>• 1 critical reading</li> <li>• 1 evaluation session</li> </ul>

<p><b>Part III. Theory of production and costs</b></p> <p>Topic 4. Production Function</p> <ul style="list-style-type: none"> <li>- Production technology</li> <li>- Production with one variable factor</li> <li>- Production with two variable factors</li> <li>- Economies of scale</li> </ul> <p>Topic 5. Cost of production</p> <ul style="list-style-type: none"> <li>- The economic concept of cost</li> <li>- Total long-term costs</li> <li>- Total short-term costs</li> <li>- Relationship between short- and long-term costs</li> </ul>	<p>2 topics: 10 sessions</p> <ul style="list-style-type: none"> <li>• 4 theory classes</li> <li>• 4 practical classes</li> <li>• 1 critical reading</li> <li>• 1 evaluation session</li> </ul>
<p><b>Parte IV. The competitive Equilibrium</b></p> <p>Topic 6. Profit Maximization and Competitive Supply</p> <ul style="list-style-type: none"> <li>- The maximization of profits</li> <li>- The competitive firm's short- and long-term supply curve</li> <li>- The Industry's long run supply</li> <li>- The efficiency of competitive markets</li> <li>- Model applications</li> </ul>	<p>1 topic: 6 sessions</p> <ul style="list-style-type: none"> <li>• 2 theory classes</li> <li>• 2 practical classes</li> <li>• 1 critical reading</li> <li>• 1 evaluation session</li> </ul>

## 4. LEARNING-TEACHING METHODOLOGIES: EDUCATIONAL ACTIVITIES

### 4.1. Distribution of credits (in hours)

<p>Number of class hours: 48</p>	<ul style="list-style-type: none"> <li>• Number of class hours: 48 divided between theory and practical class.</li> </ul>
<p>Number of independent study hours: 102</p>	<ul style="list-style-type: none"> <li>• Number of hours of independent study</li> <li>• Number of hours for the preparation of work, applications, tests and exams</li> <li>• Hours of ECTS tutorials</li> </ul>

Total hours

150

## 4.2. Methodological strategies, teaching materials and resources

**Classroom sessions:** these will be dedicated to theory classes, exercise and the critical analysis and discussion of theoretical and practical content. The student will acquire a basic knowledge of the course. These classes will develop abilities of analysis, interpretation and resolution of exercises and problems.

- **Theory classes**

In the theory classes, the tutor will give an overview of each topic, placing emphasis on the most relevant aspects and guiding the students in how to apply the knowledge gained to their personal work. The preparation and study of the topics encountered in the theory classes will strengthen students independent study abilities, which students themselves should develop through the preparation for the theory classes and summative tests.

- **Practical classes and tutorials**

The practical classes will revolve around the tackling of exercises and problems, and sessions dedicated to the presentation and critical discussion of articles and pieces of work about current issues. By solving tasks students are able to test their own level of understanding of the material studied in the theory classes. The reading will allow students to connect real-world problems with the theoretical models analyzed throughout the course.

The work done in the practical sessions will allow the development of teamwork skills and the critical and analytical abilities of the student through class interaction. Students will develop their work with the support of new technologies (tutors' web pages, virtual platform etc.)

The textbooks recommended in the bibliography section of this document cover the key subject material that will give students the necessary tools for the study of the theoretical models, analysis of exercises and problems and the critical

	<p>discussion of practical cases. It is useful to note that most of these textbooks include tables of practical cases that aid in the understanding of concepts through real examples.</p> <p>Materials prepared by the tutor, including worksheets, readings and articles will also be available to students. New communication technologies will be used to develop a 'virtual classroom' that will serve as additional support.</p>
<p><b>Independent study:</b> these hours will be dedicated to the students' individual study and will strengthen the knowledge of the theoretical topics, completion of exercises and solving cases as well as reading articles of interest. This aims to develop transferable skills such as information gathering, interpretation of texts and problem solving.</p>	<p>The student should study the materials suggested in the theoretical classes and complete tasks set in the practical classes: problem solving, readings, etc.</p>
<p><b>Individual tutorials</b></p>	<p>There will be two types of tutorial available to the student: virtual tutorials through the online platform (Blackboard), in which students can ask the tutor questions; and personal tutorials which the student can request from the tutor when they feel necessary and in which the tutor will guide them in their personal work.</p>

The University of Alcalá guarantees that, if on-site teaching is totally or partially prevented by health authorities due to health requirements, courses programmes will be completed through online teaching-learning methodologies and online assessment procedures. Teaching activity will return to on-site format as soon as health impediments are over.

## 5. ASSESSMENT: Procedures, assessment and grading criteria<sup>1</sup>

Students studying this course must choose between the two following methods of assessment:

1. A system of continuous evaluation (this procedure is set out in detail in the section 'CONTINUOUS EVALUATION'). If the student fails to pass through this method of assessment, he/she may sit the re-sit examination (June).
2. Assessment by final exam (May) and re-sit examination (June)

In accordance with the established rules passed in the Governing Council on the 24th March 2011, which regulate assessment procedures, **in order to pass the subject, all students should follow the system of continuous evaluation. Students will only be permitted to follow the system of assessment by final exam in exceptional circumstances.**

### 1. CONTINUOUS EVALUATION

The system of continuous evaluation is based on monitoring and following the work of the student throughout the course. The system will be adapted according to the course resources and the number of students in class, and explained to the students promptly at the start of the course.

- In detail, the assessment will be comprised of two mid-term examinations covering the theoretical and practical knowledge gained through classes and the students' own independent study. These tests will evaluate the areas associated with the comprehension of key course knowledge and interpretation and communication skills.

These mid-term examinations will cover the course content as follows:

- First mid-term exam: Parts I and II
- Second mid-term exam: Parts III and IV

- In addition, it will be assessed students' participation and progress in the practical classes: resolution of exercises, presentation and discussion of tasks proposed, as well as those proposed and carried out in the virtual platform. These tests will assess skills associated with information gathering, interpretation, communication and teamwork, as well as the specific knowledge of the students.

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<sup>1</sup> It is important to indicate the applicable assessment procedure, for example continuous assessment, final exam, self-assessment, and peer assessment. Tools and evidence: tasks, activities. Criteria or benchmarks that will be taken into account: proficiency in conceptual knowledge, application, and transference of skills. The **Governance Council Regulations of 16th July 2009** will apply to the grading system; the mark for continuous evaluation will represent **at least 60%** of the final grade. This percentage can be higher, where specified in the course guide.

The grade will be established as a weighted average of the two mid-term exams and the different tasks proposed and solved during the course in the continuous evaluation. In order to pass the subject through the system of continuous evaluation it is necessary to obtain a minimum mark of 5/10.

## **2. EVALUATION BY FINAL EXAM**

The students who do not follow the system of continuous evaluation and instead sit the **final examination** during the ordinary examination period in January should demonstrate that they have acquired the skills specified for this subject. To do so, students should pass an exam on the complete content of the course.

In order to pass the subject through the system of continuous evaluation it is necessary to obtain a minimum mark of 5/10.

## **3. RE-SIT EXAMINATION**

Consists of a final exam in a similar format to that of the exam sat in the ordinary examination period.

## 6. Bibliography

### Core Bibliography:

GOOLSBEE, A., LEVITT, S. and SYVERSON, C., *Microeconomics*, 3<sup>rd</sup> Edition  
McMillan Learning, 2020.

PINDYCK, R. and RUBINFELD, D. *Microeconomics*, 9<sup>th</sup> edition, Prentice Hall, 2018.  
(Pearson, 2013. <http://www.pearsonhighered.com/pindyck/>)

### Further Bibliography:

ESTRIN, Saul, DIETRICH, Michael and LAIDLER, David, *Microeconomics*, 6<sup>th</sup>  
edition, Pearson, 2012

FRANK, Robert H., *Microeconomics and Behavior*, 9<sup>th</sup> edition, McGraw-Hill, 2015

NICHOLSON, W and SNYDER, Christopher. *Microeconomics: Basic Principles and  
Extensions* 11<sup>th</sup> edition, Thomson, 2009.

PERLOFF, J. M. *Microeconomics*, 8<sup>th</sup> edition. Pearson, 2018.