



Universidad  
de Alcalá

# SYLLABUS

## MICROECONOMICS II

**Degree in Economics and International  
Business**

**Universidad de Alcalá**

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**Academic Year 2023/2024**

**Second year – Second semester**

## Syllabus

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| Name of subject:                    | <b>Microeconomics II</b>   |
| Code:                               | <b>360014</b>  |
| Degree:                             | <b>Economics and International Business</b>                                    |
| Department and Academic Discipline: | <b>Economics / Economía<br/>Economics / Fundamentos del Análisis Económico</b> |
| Type:                               | <b>Compulsory</b>  |
| Credits ECTS:                       | <b>6 ECTS</b>  |
| Year and Semester:                  | <b>2nd Year, 2nd Semester</b>  |
| Instructors:                        | Mariña Fernández Salgado<br>(m.fernandezsalgado@uah.es)                        |
| Office hours:                       | To be defined at the beginning of the course                                   |
| Language of Instruction:            | English  |

### 1. INTRODUCTION

Once students have completed the course of "Introduction to Economics" and are familiar with the fundamentals of Microeconomics covered in the Microeconomics I, they are ready to take on the study of markets, the fundamentals of welfare economics and the role of the state.

Microeconomic analysis is fundamental in the training of future economists as it provides with the necessary tools to understand and evaluate the behaviour of economic agents. It also 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.

"Microeconomics II" focuses on the functioning of non-competitive markets and the concept of economic efficiency. It analyses market efficiency and aims at explaining market failure and the type of intervention required if failure was to occur. The course is structured in two parts.

The first part of the course analyses firms' pricing and production decisions and how they vary with market structure and producers' behaviour. In Topic 1, the course starts by offering students a theoretical model of Monopoly, as opposed to Perfect Competition. Changes in firms' market power and the effects of those changes on market participants' welfare are analysed in Topic 2. Topic 3 introduces the market structure of Oligopoly, where there exists a limited number of firms. Taking into account how the competing firms might behave, different pricing and production strategies are

examined. Special attention is paid in Topic 4 to monopolistic competition where many firms produce differentiated goods so that there is imperfect competition.

The second part of the course studies the economy as a whole with a focus on the conditions leading to efficient allocation of resources. Topics 5 and 6 introduce the theory of General Equilibrium and demonstrates the basic theorems of welfare economics, which are core to modern economic analysis.

In addition to competition failures, which are studied in the first part of the course, Topics 7 to 9 study other reasons why markets may not function efficiently. It focuses on asymmetric information and property rights failures. Uncertainty and information advantages can affect market efficiency, while failures in the definition of property rights also influence on the allocation of resources.

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

### Basic and General Skills:

GS1. - Acquire capacity in the negotiating techniques used in international institutions and companies.

GS2.- Ability to analyze data and reports specifically from international sources (enterprises, international institutions such as the IMF, WTO, or Bank for International Settlements).

GS3. - Interest in updating the permanent requirements of organizational and planning techniques of international business and public activities.

GS4. - Ability to assess the multiplicity of social, political, technical, and other factors that converge in international business and institutional decisions.

GS5. - Acquire current ethical criteria, that can be permanently updated, manifested in the different countries through anti-corruption codes, international economic rights letters, etc.

GS6. - Ability to integrate into interdisciplinary teams made up of people from very different countries and training.

GS7. - Scientific and professional curiosity for the permanent use of analytical and conceptual instruments typical of economic international relations.

GS8. - Motivation for searching for quality in professional practice and development.

GS9. - Curiosity about learning the new techniques and instruments that are continuously presented in the international arena.

GS10. - Written and oral expression skills suitable for using in different contexts.

GS11. - Ability to use the English language to search for information and use resources in that language, and in the development and presentation of academic activities.

BS1. - Students should have demonstrated to have and understand knowledge in an area of study that is at the core of general secondary education, and is often found at a level that, while supported by advanced textbooks, also includes some aspects involving knowledge from the cutting edge of their field of study.

BS2. - Students should know how to apply their knowledge to their work or vocation in a professional way and have the skills usually demonstrated through the development and defense of arguments and the resolution of problems within their area of study.

BS3. - Students should have the ability to gather and interpret relevant data (usually within their area of study) to make judgements that include reflection on relevant social, scientific, or ethical issues.

BS4. - Students should be able to transmit information, ideas, problems and solutions to both a specialized and non-specialized audience.

BS5. - Students should have developed the learning skills needed to undertake subsequent studies with a high degree of autonomy.

### **Transversal Skills:**

TS1. - Acquire techniques and skills related to professional exercise, including the application of appropriate ethics regulations.

TS2. - Understand resources available for access to information and use them effectively.

TS3. - Acquire oral and written communicative skills in modern languages, both in professional environments and in other contexts.

TS4. - Understand the ideas and arguments expressed in a foreign language, in writing and orally, both in everyday situations and in professional and specialized contexts.

TS5. - Manage in an advanced way the most frequently used office tools in a professional environment (word processor, databases, and spreadsheets) and advanced use of electronic communication, navigation and data search programs (email and the Internet).

TS6. - Design presentations using software and ability to structure information appropriately and transmit it clearly and effectively, with a basic understanding of how data transmission networks work.

TS7. - Know the main management, conflict resolution, job selection and motivation of human teams techniques in a work environment with the use of effective strategies in time management.

TS8. - Plan and develop a research in a certain field of study, according to the appropriate academic and scientific requirements.

TS9. - Know the history of the University of Alcalá, the functioning of European institutions and the historical, social, economic and cultural reality of European and Ibero-American countries.

### **Specific Skills:**

SS2.- Acquire and manage the analytical skills and the usual concepts and techniques of modern intermediate microeconomic and macroeconomic theory.

SS9. - Strengthen and/or acquire skills in Mathematical Analysis for the Economy.

SS15. - Acquire the ability to analyse, synthesize and critically summarize economic-business information using quantitative tools in different economic-business areas.

### **Learning results of the subject**

Microeconomic analysis is fundamental in the formation of the future economist, because it provides the necessary tools to understand and analyse the behaviour of

economic agents and the decision-making process in the face of the problems that arise. It makes it possible to elaborate and understand economic policy and, in general terms, to understand how a modern economy works. On the other hand, the study of microeconomics provides the student with a rigorous language and allows him to face the resolution of questions according to the economic criterion of efficient allocation of resources.

### 3. SYLLABUS

| Module Contents  | Total lecture sessions, credits and hours  |
|--|--|
| <p><b><u>PART I: Markets and Imperfect Competition</u></b></p> <p><b>Topic 1. Monopoly</b> Production and prices in monopolistic markets. Definition and measurement of market power, The Social cost of monopolies. Monopoly regulation.</p> <p><b>Topic 2. Pricing under market power,</b> Price discrimination modalities. Intertemporal price discrimination, bundling, two-part prices,</p> <p><b>Topic 3: Imperfect Competition with homogeneous goods.</b> Oligopoly. Strategic behaviour and quantity and Price based competence (Cournot, Stackelberg and Bertrand 's models).</p> <p><b>Topic 4: Imperfect Competition with differentiated goods</b><br/>Monopolistic competition. Price competition with differentiated goods. The dominant firm model.</p> | <p>15 sessions</p> <ul style="list-style-type: none"> <li>• 4 topics</li> <li>• 7 theoretical lectures</li> <li>• 7 problem solving and discussion sessions</li> <li>• 1 evaluation session</li> </ul> |

**PART II: Market efficiency, information and market failures.**

**Topic 5: .General equilibrium I:** the efficiency of the market economy. The interchange economy. The two fundamental theorems of welfare economics: efficiency and fairness.

**Topic 6: General equilibrium II:** the allocation of production factors and the general equilibrium. The advantages of trade.

**Topic 7: Economics of Information I:** decisions under uncertainty. Definition and measurement of risk. Expected value, expected utility, the certainty equivalent; attitudes towards risk and the risk premium.

**Topic 8: Economics of Information II:** Asymmetric information. Basic concepts and classification. Consequences of asymmetric information: adverse selection and moral hazard. Solutions: screening and signalling. Efficiency wages.

**Topic 9: Failure in Property Rights:** Externalities, public goods.

15 sessions

- 5 topics
- 7 theoretical lectures
- 7 problem solving and discussion sessions.
- 1 evaluation session

## 4. TEACHING-LEARNING METHODOLOGIES-PRACTICAL WORK

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

|   |   |
|---|---|
| Number of classroom hours: 48             | <ul style="list-style-type: none"> <li>- Number of classroom hours: 45</li> <li>- Theoretical lectures: 22,5</li> <li>- Practical classes and seminars: 22,5</li> <li>- Evaluation sessions: 3</li> </ul> |
| Number of hours of personal study:<br>102 | <ul style="list-style-type: none"> <li>• Hours of independent study</li> <li>• Preparation and completion of exercises, assignments, preparation of exams.</li> <li>• Tutorials</li> </ul>                |
| Total hours 150                           | 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.

### • Theoretical sessions

In the theory classes, the tutor will give an overview of each topic, placing emphasis on the most relevant aspects, establishing conclusions, 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 sessions

The practical classes will be dedicated to the practical application of the theoretical contents by solving exercises and problems, and sessions dedicated to the presentation, analysis and critical discussion of articles and pieces of work about current issues, as well as conducting debates on topics proposed by the teacher. By solving tasks students are able to test their own level of understanding of the material studied in the theory classes. The reading and debates 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.) with the use of electronic resources.

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 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.

Materials prepared by the tutor, including worksheets, readings and articles will also be available to students. New communication

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|  | technologies will be used to develop a 'virtual classroom' that will serve as additional support.  |
| <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. | Students must read and understand the recommended reading material and any other material that may turn out important throughout the course. They also have to solve practical activities and exercises set in class, etc. |
| <b>Tutorials</b>   | Tutorials are optional for students and they can be carried out individually or in groups. Tutorial of consultation hours will be communicated to the students at the beginning of the course.                             |

We will collaborate with the CRAI-Library professionals so that the students carry out an activity that develops the informational competences in the use and management of the information.

## 5. ASSESSMENT: Procedures, assessment criteria and grading system

### Assessment criteria

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 (January) 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 assessment

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

This assessment requires students to complete ALL following items:

- A.** Two exams. The first exam will cover the topics in section I and the second one will cover those in section II. These assessments will evaluate student's key knowledge of the main topics in the course (80% of the final grade, 40% of the final grade per exam).
- B.** Hand-in assignments, in class exercises or online tests that are constructed as practical learning tools will be evaluated. Student's effort more than success will be valued (20% of the final grade).

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. Final Assessment**

Students who choose the final assessment option for this course must take a final exam in June according to the schedule previously established by the Faculty. This exam will contain theoretical and practical questions. In order to pass students must obtain a minimum grade of 5 points.

### **Clarifications**

For any circumstances not referred to in this course description, the regulations governing learning assessment procedures, which were approved by the Governing Council on March 24 2011, will be followed. Students must attend all exams bringing their I.D. and the University's Student Card.

During the development of the different examinations and assignments, the guidelines established in the Regulation that establishes the Coexistence Rules of the University of Alcalá must be followed, as well as the possible implications of the irregularities committed during those examinations and assignments, including the consequences for committing academic fraud according to the Regulation for the Disciplinary Regime of the Students from the University of Alcalá.

## **6. READING LIST**

### **Core Reading**

Austan Goolsbee. Steven Levitt. Chad Syverson (2015) Microeconomics.  
Robert Pindyck & Daniel Rubinfeld Microeconomics, 9/e. Pearson

### **Further reading:**

Daron Acemoglu and David Laibson (2014) Microeconomics. The Pearson Series in Economics.

Austin F. and M. Piper (2014) Microeconomics Made Simple: Basic Microeconomic Principles Explained in 100 Pages or Less

Krugman, P. and Wells, Microeconomics.

Campbell McConnell and Stanley Brue (2014) Microeconomics: Principles, Problems, & Policies (McGraw-Hill Series in Economics).

Michael Parkin (2013) Microeconomics (11th Edition).

Jeffrey M. Perloff (2013) Microeconomics: Theory and Applications with Calculus (3rd Edition) (Pearson Series in Economics)

Hal R. Varian (2014) Intermediate Microeconomics with Calculus: A Modern Approach.