

## **Syllabus for MICROECONOMICS (First Semester)**

Lecturer: Rustem M. Nureev.

E-mails: [inecon@hse.ru](mailto:inecon@hse.ru) nureev@hse.ru

Class teachers: Rustem M. Nureev

Computer classes teacher: Oleg O. Zamkov

### **Course description:**

The Introductory Economics (Microeconomics-1) is a one-semester course designed to prepare students for the Advanced Placement Test (APT).

The students are also studying for SU-HSE degree in Economics, and knowing Russian terminology through reading in Russian is also required. The course is taught in English.

### **Course objectives:**

The purpose of the course is to give students a thorough understanding of the principles of economics that are applied to the functions of individual decision makers, both consumers and producers, within the larger economic system. It places primary emphasis on the nature and functions of factor markets, and includes the study of factor markets and of the role of government in promoting greater efficiency and equity in the economy.

### **The methods:**

The following methods and forms of study are used in the course:

- lectures (2 hours a week)
- classes (2 hours a week, the main problems of home assignments are discussed)
- written home assignments (1 per week, marked by the teachers)
- essay writing (1 per semester, marked by teachers of Economics and English)
- revision and test training (2 hours a week in the second semester)
- teachers' consultations
- self-study.

In total the course includes 32 hours of lectures, 32 hours of classes; 24 hours of revision/test preparation. Self-study is regarded as the main method of study in the course.

### **Main reading:**

1. Begg, D., S.Fischer, R.Dornbusch. Economics. Seventh edition. McGraw Hill. 2003 BDF. The chapters from BDF covered in the course are indicated in the Course Outline.

### **Supplementary reading:**

1. Blake, D. A Short Course of Economics. McGraw Hill. 1993.
2. Mankiw, N.G. Principles of Economics. The Dryden Press, 1998. Русский перевод: Мэнкью Н.Г. Принципы Экономикс. Питер, С.-Петербург, 1999.
3. Ward D., and D.Begg. Students Workbook for Economics. Seventh Edition. McGraw Hill. 2003.
4. Нуреев Р.М. Курс микроэкономики. Учебник для вузов. 2 изд. М.: НОРМА-ИНФРА-М, 2001- 2004.

5. Самуэльсон П., Нордхаус В. Экономика. Бином-КноРус, Москва, 1997. (Русский перевод 15-го Издания Economics by P.Samuelson).
6. Сборник задач по микроэкономике к “Курсу микроэкономики“ Р.М.Нуреева. М.: НОРМА-ИНФРА-М, 2002- 2004.
7. Франк Р. Микроэкономика и поведение. М.: Инфра-М, 2003.

### **Grade determination:**

The students sit a mid-year exam in AP format set by local teachers and graded in accordance with APT rules, on a 100-point scale and from 1 to 5. This grade gives 60% of mid-year grade (from 2 to 5), and other 40% is given by their grades for home works (20%) and mid-term test (20%).

In April the students sit Mock exam in APT format set and graded by local teachers.

In the end of the year students sit external APT exam which is graded by AP Board from 1 to 5. This grade is used as enter grade to the University of London external programme. It also gives 60% of final ICEF grade (from 2 to 5), and other 40% is given by mid-year grade and Mock exam.

### **Course outline:**

#### **1.Introduction to Economics**

Definition of Economics. Economic needs and economic goods. Scarcity. Economic choice. Opportunity cost. Production possibility frontier. Comparative advantage. Specialisation and exchange of goods.

Economic Agents. Circular Flow of Goods and Money. Economic systems. Market economy. Command economy. Mixed economy. Microeconomics and Macroeconomics. Positive and normative economics.

*(BDF, Ch.1)*

#### **2. Economic models and analysis**

Instruments of economic analysis. Economic Data. Nominal and Real variables. Measuring changes in economic variables. Concept of a model. Using graphs. Types of microeconomic models. Testing models. Economic theory and economic policy.

*(BDF, Ch.2)*

#### **3. Supply and Demand**

Market. Demand curve and its determinants. Supply curve and its determinants. Equilibrium. Producer surplus and consumer surplus. Deficit and surplus. Free market and price control.

*(BDF, Ch.3)*

#### **4. Elasticity**

Price elasticity of demand. Point and arch elasticity. Elasticity of Demand and Total Revenue of the firm. Cross-Price Elasticity. Price and Income Elasticity of Demand. Application of elasticity theory. Taxation.

*(BDF, Ch.4)*

#### **5. Consumer choice**

Total and marginal utility. Marginal utility and paradox of water and diamond. Consumer choice.

Preferences. Indifference curves. Marginal rate of substitution. Budget constraint. Adjustment to price and income changes: income effect and substitution effect. Normal and inferior goods. Substitutes and complements. In-kind and money subsidies.  
*(BDF, Ch.5)*

## **6. Producer theory: Revenues and Costs**

The firm's production decisions. Elements of accounting. Revenues, costs and profits. Total, average and marginal revenues. Short run and long run. Fixed and variable costs. Total, average and marginal costs. Profit maximisation.  
*(BDF, Ch.6,7)*

## **7. The firm in Perfect competition**

Costs in short run and in long run. Firm's short run and long run output decisions. Economies and diseconomies of scale. Firm's supply and industry supply.  
Perfect competition. Its advantages and disadvantages.  
*(BDF, Ch.8)*

## **8. Monopoly**

Types of market structures. Features of monopoly. Profit maximisation under monopoly. Comparison with perfect competition: output and price.  
Social cost of a monopoly. Dead-weight loss. Regulation of monopoly. Natural Monopoly. Regulation of natural monopoly. Price discrimination. Industrial policy.  
*(BDF, Ch.9, 17, 18)*

## **9. Monopolistic competition and Oligopoly**

Features of monopolistic competition. Comparison with perfect competition: output and price. Advertising.  
Features of oligopoly. Price wars and collusion. Game theory and interdependence. Prisoner's dilemma. Kinked demand curve. Cartels. Barriers to entry. Other forms of imperfect competition. New theory of industrial markets.  
*(BDF, Ch.9)*

## **10. Factor markets: Labour market**

Factors (inputs) of production. Derived demand for factors. Demand and supply of labour. Equilibrium in labour market. Trade unions. Minimum wages. Wages and unemployment. Differences in wages, economic rent.  
Human capital. Investments in human capital: costs and revenues. Expected returns from studying in developed and developing countries. Signaling. Discrimination in the labour market.  
*(BDF, Ch.10, 11)*

## **11. Factor markets: Market for capital and Land**

Physical capital. Demand and supply of capital. Equilibrium in capital market. Net present value and discounting. Interest rate. Choice under uncertainty. Individual attitudes to risk. Risk diversification. Uncertainty and assets returns.  
Land and rent. Price of land. Income Distribution.  
*(BDF, Ch.12, 13)*

## **12. Introduction to welfare economics: general equilibrium**

Partial and general equilibrium. Backward induction. Gains from trade. Contract curve. Production possibility curve and effective resource allocation. Consumption and allocation of resources. General equilibrium and welfare economics. Perfect competition and Pareto efficiency. Equity and efficiency. Distortions and the second best.

*(BDF, Ch.15)*

### **13. Market failures. Externalities and public goods**

Market failure. Externalities. Property rights and transaction costs. Public goods. Free-rider problem. Taxation and government expenditures. Scope for government intervention. Government failure.

*(BDF, Ch.14-16)*

No	Topics titles	TOTAL (hours)	Contact hours		Self- study
			i. e.		
			Lectures	Classes	
1.	Introduction to Microeconomics	6	2	2	2
2.	Economic models and analysis	6	2	2	2
3.	Supply and Demand	6	2	2	2
4.	Elasticity	6	2	2	2
5.	Consumer choice	12	4	4	4
6.	Produce theory: Revenues and Costs	8	2	2	4
7.	The firm in Perfect competition	10	2	4	4
8.	Monopoly	8	2	2	4
9.	Monopolistic competition and Oligopoly	12	4	4	4
10.	Factor markets: Labour market	10	4	2	4
11.	Factor markets: Market for Capital and Land	8	2	2	4
12.	Introduction to Welfare economics: General equilibrium	8	2	2	4
13.	Market failures. Externalities and Public goods	8	2	2	4
	Total:	108	32	32	44