

MICROECONOMICS

IE University

Professor: **AMIR TARIGHPEYMA**

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Academic year: 22-23

Degree course: FIRST

Semester: 2^o

Category: BASIC

Number of credits: 6.0

Language: English

PREREQUISITES

None

SUBJECT DESCRIPTION

This course is an introduction to microeconomic analysis and its application to current social problems. Students will get acquainted with basic microeconomic thinking and will get a general and overarching perspective on the skills and information to understand more advanced microeconomic topics.

Microeconomics is the branch of economics that studies the behavior of individuals and firms in making decisions; how markets work and the conditions under which free markets lead to desirable allocations; and when there are market failures and a need for government intervention. After completing this course, by focusing on the individual decisions of consumers and firms, students obtain a proper understanding of the behaviour of economic agents and a powerful tool to analyse the outcomes that result from their interaction.

The course is structured in six different parts:

1. The first part analyses how economists think.
2. The second part presents how markets work: supply and demand, elasticities and government policies.
3. The third part analyses the relationship between markets and welfare.
4. The fourth part covers the economics of the public sector: externalities and public goods.
5. The fifth course presents consumer behavior.
6. The last part of the course focuses on firm behavior and the analysis of different market structures: perfect competition, monopolies, oligopolies and markets with differentiated products.

Economics is a social science that uses inductive approaches. The course uses a data-based approach to understand theoretical abstract concepts. It insists on the application of knowledge to real cases and experiences, and on understanding the use mathematical models. Therefore, the focus of the course is eminently practical. The theoretical concepts learnt in class will be complemented with numerous real case studies and empirical exercises.

OBJECTIVES AND SKILLS

The goal is for students to start thinking as economists: first, they get to know verified basic concepts and theories; second, they familiarize with the methodology that scholars and practitioners use in their research; finally, they interpret current real-life events based on recent economic theory. The final aim is that this methodology becomes a useful tool that students can apply in their future professional career.

Given its introductory nature, the basic objective of the course is to familiarize students with basic microeconomic concepts and with the economic methodology. After completing this course, students should be capable of the following:

- GOAL 1: Explain the major underlying principles of economics to understand how the economic system works.
- GOAL 2: Analyse how companies react to changes in market conditions in theoretical and practical cases.
- GOAL 3: Describe market failures and their impact on efficiency in theoretical and practical cases.
- GOAL 4: Discuss consumer behavior based on rational decision-making theory to interpret preferences and optimal choices.
- GOAL 5: Familiarize with the methodology that scholars and practitioners use to understand and explain decision making and the economic problems that surround us:
 - Basic theoretical models
 - Experiments
 - Empirical analysis: work with data

METHODOLOGY

Sessions will combine the explanation of theoretical concepts with practical activities such as doing exercises, class activities and experiments. They are intended to be highly dynamic. Students will prepare the readings before class.

There will be individual and group assignments in which students will be tasked with finding sources of information, putting theory into practice, systematizing, reasoning, and solving problems. Some of these assignments may be presented in class. The Professor will implement different active-learning techniques: small quizzes, think-pair-share activities, or one-minute essays.

Teaching methodology	Weighting	Estimated time a student should dedicate to prepare for and participate in
Lectures	30.0 %	45 hours
Discussions	3.33 %	5 hours
Exercises	20.0 %	30 hours
Group work	26.67 %	40 hours
Other individual studying	20.0 %	30 hours
TOTAL	100.0 %	150 hours

PROGRAM

SESSION 1 (LIVE IN-PERSON)

Topic: Introduction to the Course: Learning Objectives and Course Evaluation.

Reading:

Other / Complementary Documentation: Course Syllabus (s-c)

SESSION 2 (LIVE IN-PERSON)

Topic: How Economists think

Concepts: scarcity; economics efficiency; equality; opportunity cost; rational people; marginal change; incentive; market economy; property rights; market failure; externality; market power; circular-flow diagram; microeconomics; positive statements; production possibilities frontier; macroeconomics; normative statements.

Reading:

Book Chapters: Principles of microeconomics (Chapter 1: Ten principles of Economics; Chapter 2: Thinking Like an Economist) (See Bibliography)

Book Chapters: Microeconomics (Chapter 1: First Principles; Chapter 2: Economic Models: Trade-offs and Trade) (See Bibliography)

SESSION 3 (LIVE IN-PERSON)

Topic: The Market forces of Supply and Demand

Concepts: Market; law of supply and demand; competitive market; shortage; quantity demanded; surplus; law of demand; equilibrium; quantity demand; equilibrium; price; demand curve; normal good; supply curve; inferior good; substitutes; law of supply; complements; quantity supplied.

Reading:

Book Chapters: Principles of microeconomics (Chapter 4: The Market Forces of Supply and Demand) (See Bibliography)

Book Chapters: Microeconomics (Chapter 3: Supply and Demand) (See Bibliography)

SESSION 4 (LIVE IN-PERSON)

Topic: Elasticity and its application

Concepts: Elasticity; price elasticity of demand; total revenue; income elasticity of demand; cross-price elasticity of demand.

Reading:

Book Chapters: Principles of microeconomics (Chapter 5: Elasticity and its Application) (See Bibliography)

Book Chapters: Microeconomics (Chapter 6: Elasticity) (See Bibliography)

SESSION 5 (LIVE IN-PERSON)

Topic: Consumers, Producers, and the Efficiency of Markets

Concepts: welfare economics; willingness to pay; consumer surplus; cost; producer surplus; efficiency; equality.

Reading:

Book Chapters: Principles of microeconomics (Chapter 7: Consumers, Producers, and the Efficiency of Markets) (See Bibliography)

Book Chapters: Microeconomics (Chapter 4: Consumer and Producer Surplus) (See Bibliography)

SESSION 6 (LIVE IN-PERSON)

Topic: How economists use data.

PRACTICE OF CONCEPTS FROM SESSIONS 4, 5 & 6:

DOING ECONOMICS. Empirical Project 7. Supply and Demand.

Reading:

Technical note: Supply and Demand (core-econ.org)

Book Chapters: Principles of microeconomics (How Economists use data) (See Bibliography)

SESSION 7 (LIVE IN-PERSON)

Topic: Supply, Demand and Government Policies.

Concepts: price ceiling; price floor; tax incidence.

Reading:

Book Chapters: Principles of microeconomics (Chapter 6: Supply, Demand and Government Policies) (See Bibliography)

Book Chapters: Microeconomics (Chapter 5: Price Controls and Quotas: Meddling with Markets) (See Bibliography)

SESSION 8 (LIVE IN-PERSON)

Topic: Application: The Cost of Taxation

Concepts: deadweight loss.

Reading:

Book Chapters: Principles of microeconomics (Chapter 8: Application: The Cost of Taxation) (See Bibliography)

Book Chapters: Microeconomics (Chapter 7: Taxes) (See Bibliography)

SESSION 9 (LIVE IN-PERSON)

Topic: Externalities.

Concepts: externality; internalizing the externality; corrective tax Coase theorem; transaction costs.

Reading:

Book Chapters: Principles of microeconomics (Chapter 10: Externalities) (See Bibliography)

Book Chapters: Microeconomics (Chapter 16: Externalities) (See Bibliography)

SESSION 10 (LIVE IN-PERSON)

Topic: Public Goods and Common Resources

Concepts: excludability; rivalry in consumption; private goods; public goods; common resources; club goods; free rider; cost–benefit analysis; Tragedy of the Commons.

Reading:

Book Chapters: Principles of microeconomics (Chapter 11: Public Goods and Common Resources) (See Bibliography)

Book Chapters: Microeconomics (Chapter 17: Public Goods and Common Resources) (See Bibliography)

SESSION 11 (LIVE IN-PERSON)

Topic: Environmental, Social and Corporate Governance (ESG)

PRACTICE OF CONCEPTS FROM SESSIONS 7-10

The use of ESG approach to evaluate social goals of a firm.

SESSION 12 (LIVE IN-PERSON)

Topic: Consumer Choice

Concepts: budget constraint; indifference curve; marginal rate of substitution; perfect substitutes; perfect complements, normal goods, inferior good, income effect, substitution effect, Giffen Good.

Reading:

Book Chapters: Principles of microeconomics (Chapter 21: Consumer Choice) (See Bibliography)

Book Chapters: Microeconomics (Chapter 10: The Rational Consumer) (See Bibliography)

SESSION 13 (LIVE IN-PERSON)

Topic: Consumer Choice

Concepts: budget constraint; indifference curve; marginal rate of substitution; perfect substitutes; perfect complements, normal goods, inferior good, income effect, substitution effect, Giffen Good.

Reading:

Book Chapters: Principles of microeconomics (Chapter 21: Consumer Choice) (See Bibliography)

Book Chapters: Microeconomics (Chapter 10: The Rational Consumer) (See Bibliography)

SESSION 14 (LIVE IN-PERSON)

Topic: Behavioral Economics

Concepts: behavioral economics, fairness, time inconsistency.

Reading:

Book Chapters: Principles of microeconomics (Chapter 22: Frontiers of Micro: Behavioral Economics) (See Bibliography)

Book Chapters: Microeconomics (Chapter 9: Decision Making by Individuals and Firms: Behavioral Economics) (See Bibliography)

SESSION 15 (LIVE IN-PERSON)

Mid-term Exam

SESSION 16 (LIVE IN-PERSON)

Topic: The Cost of Production

Concepts: total revenue; total cost; profit; explicit costs; implicit costs; economic profit; accounting profit; production function; marginal product; diminishing marginal product; fixed costs; variable costs; average total cost; average fixed cost; average variable cost; marginal cost; economies of scale; diseconomies of scale; constant returns to scale.

Reading:

Book Chapters: Principles of microeconomics (Chapter 13: The Cost of Production) (See Bibliography)

Book Chapters: Microeconomics (Chapter 11: Behind the Supply Curve: Inputs and Costs) (See Bibliography)

SESSION 17 (LIVE IN-PERSON)

Topic: The Cost of Production

Concepts: total revenue; total cost; profit; explicit costs; implicit costs; economic profit; accounting profit; production function; marginal product; diminishing marginal product; fixed costs; variable costs; average total cost; average fixed cost; average variable cost; marginal cost; economies of scale; diseconomies of scale; constant returns to scale.

Reading:

Book Chapters: Principles of microeconomics (Chapter 13: The Cost of Production) (See Bibliography)

Book Chapters: Microeconomics (Chapter 11: Behind the Supply Curve: Inputs and Costs) (See Bibliography)

SESSION 18 (LIVE IN-PERSON)

Topic: Firms in Competitive Markets

Concepts: competitive market; average revenue; Total Cost.

Reading:

Book Chapters: Principles of microeconomics (Chapter 14: Firms in Competitive Markets) (See Bibliography)

Book Chapters: Microeconomics (Chapter 12: Perfect Competition and the Supply Curve) (See Bibliography)

SESSION 19 (LIVE IN-PERSON)

Topic: Firms in Competitive Markets

Concepts: competitive market; average revenue; Total Cost.

Reading:

Book Chapters: Principles of microeconomics (Chapter 14: Firms in Competitive Markets) (See Bibliography)

Book Chapters: Microeconomics (Chapter 12: Perfect Competition and the Supply Curve) (See Bibliography)

SESSION 20 (LIVE IN-PERSON)

Topic: Monopoly

Concepts: monopoly; natural monopoly; price discrimination.

Reading:

Book Chapters: Principles of microeconomics (Chapter 15: Monopoly) (See Bibliography)

Book Chapters: Microeconomics (Chapter 13: Monopoly) (See Bibliography)

SESSION 21 (LIVE IN-PERSON)

Topic: Monopoly

Concepts: monopoly; natural monopoly; price discrimination.

Reading:

Book Chapters: Principles of microeconomics (Chapter 15: Monopoly) (See Bibliography)

Book Chapters: Microeconomics (Chapter 13: Monopoly) (See Bibliography)

SESSION 22 (LIVE IN-PERSON)

Topic: Monopolistic Competition

Concepts: monopolistic competition; differentiated goods.

Reading:

Book Chapters: Principles of microeconomics (Chapter 16: Monopolistic Competition) (See Bibliography)

Book Chapters: Microeconomics (Chapter 15: Monopolistic Competition and Product Differentiation) (See Bibliography)

SESSION 23 (LIVE IN-PERSON)

Topic: Monopolistic Competition

Concepts: monopolistic competition; differentiated goods.

Reading:

Book Chapters: Principles of microeconomics (Chapter 16: Monopolistic Competition) (See Bibliography)

Book Chapters: Microeconomics (Chapter 15: Monopolistic Competition and Product Differentiation) (See Bibliography)

SESSION 24 (LIVE IN-PERSON)

Topic: Oligopoly

Concepts: oligopoly; collusion; game theory; cartel; Nash Equilibrium.

Reading:

Book Chapters: Microeconomics (Chapter 14: Oligopoly) (See Bibliography)

Book Chapters: Principles of microeconomics (Chapter 17: Oligopoly) (See Bibliography)

SESSION 25 (LIVE IN-PERSON)

Topic: Oligopoly

Concepts: oligopoly; collusion; game theory; cartel; Nash Equilibrium.

Reading:

Book Chapters: Principles of microeconomics (Chapter 17: Oligopoly) (See Bibliography)

Book Chapters: Microeconomics (Chapter 14: Oligopoly) (See Bibliography)

SESSION 26 (LIVE IN-PERSON)

Topic: Oligopoly

Concepts: oligopoly; collusion; game theory; cartel; Nash Equilibrium.

Reading:

Book Chapters: Principles of microeconomics (Chapter 17: Oligopoly) (See Bibliography)

Book Chapters: Microeconomics (Chapter 14: Oligopoly) (See Bibliography)

SESSION 27 (LIVE IN-PERSON)

Topic: Market simulation. Game

PRACTICE OF CONCEPTS FROM SESSIONS 16-26

Multimedia Documentation: Classroom Games for Teaching Economics (economics-games.com)

SESSION 28 (LIVE IN-PERSON)

Topic: Final Project Presentations: Market Analysis

SESSION 29 (LIVE IN-PERSON)

Topic: Final Project Presentations: Market Analysis

SESSION 30 (LIVE IN-PERSON)

Final Exam

BIBLIOGRAPHY

Compulsory

- N. Gregory Mankiw. (2020). *Principles of Microeconomics*. 9th. Cengage. ISBN 9780357133484 (Digital)

Recommended

- Krugman, Paul & Wells, Robin. (2021). *Microeconomics*. 6th. McMillan education publishers. ISBN 9781319385842 (Digital)

EVALUATION CRITERIA

Regular attendance to lectures and classes is required. The final grade will be based on the following criteria:

Criteria	Percentage	Comments
Final Exam	40 %	It consists of 40 MC questions to answer in 50 minutes. The final exam will include all the chapters. A minimum grade of 4 over 10 in the final exam is required to pass the course.
Intermediate Tests	20 %	Midterm Exam. It consists of 40 MC questions to answer in 50 minutes.
Workgroups	25 %	Students, organized in teams, will be invited to participate in a final project. The outcome of the project will be presented in class. All students are expected to raise relevant questions and/or comments.
Other	10 %	Practical Assignments. Instructions about practical assignments are presented in class.

Class Participation	5 %	Two main criteria will be used in reaching judgment about class participation: frequency and relevance of comments.
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RE-SIT / RE-TAKE POLICY

Each student has four (4) chances to pass any given course distributed over two (2) consecutive academic years. Each academic year consists of two calls: one (1) ordinary call (during the semester when the course is taking place); and one (1) extraordinary call (or “re-sit”) in June/July. Students who do not comply with the 70% attendance requirement in each subject during the semester will automatically fail both calls (ordinary and extraordinary) for that Academic Year and have to re-take the course (i.e., re-enroll) during the next Academic Year. The Extraordinary Call Evaluation criteria will be subject to the following rules:

- Students failing the course in the ordinary call (during the semester) will have to re-sit evaluation for the course in June / July (except those students who do not comply with the attendance rule, and therefore will not have that opportunity, since they will fail both calls and must directly re-enroll in the course during the next Academic Year).
- It is not permitted to change the format nor the date of the extraordinary call exams or deadlines under any circumstance. All extraordinary call evaluation dates will be announced in advance and must be taken into consideration before planning the summer (e.g. internships, trips, holidays, etc.)
- The June/July re-sit will consist of a comprehensive evaluation of the course. Your final grade for the course will depend on the performance in this exam or evaluation only. I.e., continuous evaluation over the semester (e.g. participation, quizzes, projects and/or other grade components over the semester) will not be taken into consideration on the extraordinary call. Students will have to achieve the minimum passing grade of 5 and the maximum grade will be capped at 8.0 (out of 10.0) – i.e., “notable” in the extraordinary call.
- Re-takers: Students who failed the subject on a previous Academic Year and are now re-enrolled as re-takers in a course will need to check the syllabus of the assigned professor, as well as contact the professor individually, regarding the specific evaluation criteria for them as re-takers in the course during that semester (ordinary call of that Academic Year). The maximum grade that may be obtained as a retaker during the ordinary call (i.e., the 3rd call) is 10.0 (out of 10.0). After exams and other assessments are graded by the professor (on either the ordinary or extraordinary call), students will have a possibility to attend a review session (whether it be a final exam, a final project, or the final overall grade in a given course).

Please be available to attend the session in order to clarify any concerns you might have regarding your grade. Your professor will inform you about the time and place of the review session. ! Students failing more than 18 ECTS credits after the June/July re-sits will be asked to leave the Program. Please, make sure to prepare yourself well for the exams in order to pass your failed subjects. ! In case you decide to skip the opportunity to re-sit for an exam or evaluation during the June/July extraordinary call, you will need to enroll in that course again for the next Academic Year as a re-taker, and pay the corresponding tuition fees. As you know, students have a total of four (4) allowed calls to pass a given subject or course, in order to remain in the program.

PROFESSOR BIO

Professor: **AMIR TARIGHPEYMA**

E-mail: atarighpeyma@faculty.ie.edu

Academic Background

- MBA in health and hospital management • Instituto Europeo – Madrid
- MS in Trichology and Hair transplant - Universidad de Alcala
- Thesis • pending public lecture • Universidad Complutense de Madrid - Madrid
- Degree of Researcher • Universidad Complutense de Madrid – Madrid
- Doctorate Program in Neurological Sciences • Universidad Complutense de Madrid – Madrid
- Medical Degree • Universidad Complutense de Madrid - Madrid

Academic experience

- Professor of entrepreneurship at IE Business School, 2010 - present
- Professor of Introduction to economics, IE University, 2015 - 2019
- Professor of microeconomics, IE University, 2016 - present,
- Professor of A-level & IB Economics, King's College, 2013 - 2019

Professional Experience

- Head of the hair restoration surgery unit at Hospital Quiron Infanta M^a Luisa. Seville, 2019 - present
- Founder and CEO of Medical Cosmetic Group (Grupo Estetica Medica) 2006 – present
- Professor of Economics, IE University
- Professor of Economics, King's Group. 2013 - 2019
- Associate professor of Entrepreneurship at IE Business School. Madrid, 2011- present
- VP of Sales and Marketing at ACT – 2008 - 2011
- Sales and Marketing director. Vaughan Systems – 1999 – 2007
- Founder and CEO of Your Health – 2001 - 2003
- Researcher at Universidad Complutense de Madrid, 1995 – 1996
- Research Interests: International competitiveness, Globalization, International trade.

OTHER INFORMATION

OFFICE HOURS:

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PLAGIARISM/ACADEMIC HONESTY

Plagiarism is the dishonest act of presenting another person's ideas, texts or words as your own. This includes in order of seriousness of the offense:

- providing faculty sources;
- copy-pasting material from your own past assignments (self-plagiarism) without the instructor's permission;
- copy-pasting material from external sources even while citing them;
- using verbatim translations from sources in other languages without citing them;
- copy-pasting material from external sources without citing them;
- and buying or commissioning essays from other parties.

IEU students must contact the professor if they don't know whether the use of a document constitutes plagiarism. The professor will advise the student on how to present said material. All written assignments have to be submitted through Turnitin, which produces a similarity report and detects cases of plagiarism. Professors are required to check each student's academic work in order to guarantee its originality. If the originality of the academic work is not clear, the professor will contact the student in order to clarify any doubts. Students using external tutorial support should report it to the professor and the BIE Program from the moment they began receiving this support. In the event that the meeting with the student fails to clarify the originality of the academic work, the professor will inform the Director of the Bachelor Program about the case, who will then decide whether to bring the case forward to the BIE Academic Review Panel. Very high similarity scores will be automatically flagged and forwarded to the Academic Review Panel.

Plagiarism constitutes a very serious offense and may carry penalties ranging from getting a zero for the assignment to expulsion from the university depending on the severity of the case and the number of times the student has committed plagiarism in the past.