



MICROECONOMICS

Course code	<i>ECO101</i>
Course subject	<i>Microeconomics</i>
Course type	<i>Compulsory</i>
Semester	<i>2nd semester</i>
ECTS	<i>6: 24 hrs of lectures, 24 hrs of practice, 112 hrs of individual work</i>
Coordinating lecturer	<i>Aras Zirgulis</i>
Course prerequisites	-
Language of instruction	<i>English</i>

Course Annotation

This course provides an introduction to analysis of economic behavior. The ability to predict market outcomes is indispensable not only for a sound business strategy but also for a meaningful public policy. The main focus of the course is on optimal decision making, understanding determinants of demand and supply, market equilibrium, strategic behavior, and welfare analysis. Introduction to choice under uncertainty and the general equilibrium analysis is also covered.

Aim and Learning Outcomes of the Course

The course should teach an analytical approach to the functioning of the market mechanism, economic behavior of market participants, market environment impact on competition, and business strategies. Students should acquire the skills and the ability to apply microeconomic analysis and optimization methods to a large variety of economic problems.

Subject Learning Outcome (SLO)	Study methods	Assessment methods
SLO1. Understand the main theories in microeconomics	Lectures, seminars, individual study, group study	Midterm test, final exam
SLO2. Analyze and model microeconomic phenomena	Lectures, seminars, individual study, group study	Midterm test, final exam
SLO3. Evaluate governmental policy as it relates to microeconomics	Lectures, seminars, individual study, group study	Midterm test, final exam
SLO4. Graphically model microeconomic situations	Lectures, seminars, individual study, group study	Midterm test, final exam
SLO5. Relate real economic experiences to theory	Lectures, seminars, individual study, group study	Midterm test, final exam
SLO6. Identify economic situations at the firm and personal level	Lectures, seminars, individual study, group study	Midterm test, final exam
SLO7. Develop researching skills	Seminars, group study	Midterm test, final exam, group project

Learning methods

Learning methods will consist of lectures, homework assignments, and the solving of selected problems during seminars.

Cheating prevention

Students will be given different assignments during the midterm and the final exams. All attempts at cheating will be dealt with according to the regulation on academic ethics (see *ISM Bakalauro studijų reglamentas*).



DATE	TOPIC	IN-CLASS HOURS		READINGS
		Lectures	Seminar	
Week 1	Lecture # 1: Introduction: Consumer Behavior Consumer choice, indifference curves, utility maximization	2	2	Ch 1-3
Week 2	Lecture # 2: Individual and Market Demand Individual demand, Income and substitution effects, market demand, consumer surplus	2	2	Ch 4
Week 3	Lecture # 3: Uncertainty and Consumer Behavior Risk, behavioral economics	2	2	Ch 5
Week 4	Lecture # 4: Production and Costs Production functions, returns to scale, cost functions	2	2	Ch 6,7
Week 5	Lecture # 5: Profit Maximization Perfectly competitive markets, profit maximization, marginal revenue, marginal cost	2	2	Ch 8
Week 6	Midterm: Topics 1-5		2	
Week 6	Lecture # 6: The Analysis of Competitive Markets Evaluating the gains and losses from government policies	2	2	Ch 9
Week 7	Lecture # 7: Monopoly and Monopsony Evaluating monopolies and monopsonies	2	2	Ch 10
Week 8	Lecture # 8: Monopolistic Competition and Oligopoly; Market Power and Pricing: Monopolistic competition, the several forms of oligopoly, capturing consumer surplus, price discrimination	2	2	Ch 12, 11
Week 9	Lecture # 9: Markets for Factor Inputs Markets for labour and materials used in production, present values, the effect of interest on Investments	2	2	Ch 14, 15
Week 10	Lecture # 10: General Equilibrium General equilibrium analysis, efficiency in exchange, trade and comparative advantage	2	2	Ch 16
Week 11	Lecture # 11: Externalities and Public goods External effects on consumption and production. Possible solutions. *(Group project will be assigned and explained)	2	2	Ch 18
Week 12	Lecture # 12: Markets with Asymmetric Information Quality uncertainty and the market for lemons, market signaling, moral hazard	2		Ch 17
	Total hours (for each group):48	24	24	



COURSE REQUIREMENTS

Type	Independent work hours	Evaluation, %
Group project	15	15
Mid-term test	40	35
Final exam	55	50
Consultation	2	
Total:	112	100

1. The final exam will account for 50% of the final grade: It will consist of multiple-choice questions and short-answer open questions. The final exam will cover all topics presented after the midterm
2. The mid-term test (35%) will cover the content of Lecture 1-5. it will consist of multiple-choice questions and short-answer open questions.
3. Group Project (15%) The group project will require that students solve a homework problem and present it to the class during seminar. At the beginning of the seminar, the group will provide the written solution to the lecturer.

REMARKS

- a. Students should read the assigned reading from the course book before the lecture is given
- b. All homework problems will be assigned the day of lecture to be done before the seminar. However, they are not mandatory and will not be graded. The solutions will be reviewed during the seminar. Answers will not be posted so it is very important that students attend the seminars.
- c. If the final (cumulative) mark of the course, including final exam score, is negative, students will be allowed to exercise their **right of retake**. The retake exam will cover all lecture topics discussed in class during the course. It will be held during the last week of the exam session and **will replace the 85% of exams (mid-term and final)**. Acquired scores from all assignments will be summed up and the final (cumulative) grade will be given.

Literature:

1. Pindyck, Robert S., and Daniel L. Rubinfeld. Microeconomics. 7th ed. Upper Saddle River, NJ: Pearson Prentice Hall, 2004.