



INSTITUTE
OF ECONOMIC STUDIES
Faculty of Social Sciences
Charles University

Microeconomics I

Spring Term

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Course Code: JEB104

Course Description:

The course builds on introductory microeconomics courses, extends the old, and introduces new concepts while standard analytic methods are applied. It focuses on the theory of consumer behavior. Specific topics include consumer preferences, optimal choice, consumer demand, revealed preferences, measurement of welfare changes, choice under uncertainty, and intertemporal choice.

Course Objectives:

The main goal is to provide fundamental instruments of microeconomic analysis.

Structure:

The structure of this course will be divided between lectures and seminars. Lectures as well as seminars will meet once per week for 1.5 hours. On seminars, we will review some problematic concepts from the lectures and go through exercises which should sharpen the understanding of topics covered during the lectures. Seminars will serve two purposes, they will give you a good background for computing Aplia exercises and additionally prepare you for more complicated problems you will be asked to solve during the midterm and final.

Instructions:

Seminars sessions: In seminars sessions, we will review some problematic concepts from lectures and do exercises designed to sharpen the understanding of topics covered during the lectures. Exercise sessions will prepare you for more complicated problems you will be asked to solve during home assignments, the midterm and final exams.

It is important that you get familiar with **Moodle** (<https://dl1.cuni.cz/enrol/index.php?id=857>). It will be a platform where you can download lecture slides, tasks for seminars. It could be also a platform to discuss the concepts with other students. All the news and grades will be announced through Moodle. Each student will get access to the account of this course. The key for course login is “micro”.

Please contact the IEF staff to learn more about the instructions for this course, including meeting times and how to register.

Academic Honesty:

Although the students are encouraged to exchange ideas in and outside class, everybody is required to submit their own work. That means that copying the work of other students or published materials is strictly prohibited.

Grading System:

During the semester, four home assignments (HA) will be administrate in electronic form via Moodle. The home assignments should be completed individually (not in groups) and will be similar to excercises presented in the excercise sessions, but will be of a higher difficulty.

The final grade will consist of three parts. In total, you can earn 100 points. Zero points from one part implies zero in total.

- Four home assignments (5 points each, in total 20 points)
- Midterm exam (30 points)
- Final exam (50 points)

Grades:

A: 85-100

B: 70-84.99

C: 60-69.99

F: 0-59.99

A zero score in one of the examination forms implies zero points in total.

Course Content:

1) Introduction (Varian, Ch.1)

Course: structure and requirements

Introduction to microeconomics

2) Consumer theory: basic concepts (Varian, Ch.2-3)

Budget constraint

Preferences

Rationality

Indifference curves

3) Consumer preferences (Varian, Ch.4)

Utility function
Marginal utility

4) Consumer choice (Varian, Ch.5)

Optimal choice
Maximization of utility, analytically and graphically
Interior and corner solution

5) Demand (Varian, Ch.6, 8)

Derivation
Characteristic features
Comparative statics
Price and Income elasticities of demand
Hicksian decomposition of income and substitution effect

6) Duality (Varian, Ch.6 extended!)

Expenditure minimization versus utility maximization
Compensated (Hicksian) versus uncompensated (Walrasian/Marshallian) demand
Slutsky equation

7) Revealed preferences (Varian, Ch.7)

Weak axiom of revealed preferences
Strong axiom of revealed preferences
Slutsky decomposition of income and substitution effect
Slutsky demand

8) Welfare evaluation of economic changes (Varian, Ch.14)

Consumer surplus
Equivalent variation
Compensating variation

9) Buying and selling (Varian, Ch.9)

Net versus gross demands
Slutsky equation revisited
Labor supply

10) Decision-making over time (Varian, Ch.10)

Borrower versus lender
Real interest rate
Present value

11) Decision-making under uncertainty (Varian, Ch.12)

Contingent consumption
Expected utility, expected value
Risk aversion
Certainty equivalent, risk premium
Insurance
Risk spreading

12) Risky Assets (Varian, Ch.11, 13)

Rates of return
Arbitrage and present value
Adjustments for differences
Mean-variance utility
Measuring risk
Equilibrium in a market for risky assets

13) Equilibrium (Varian, Ch.15, 16)

From individual to market demand
Market supply
Market equilibrium
Inverse demand and supply curves
Comparative statics
The deadweight loss of a tax

Reading Materials:

Required:

Hal R. Varian, *Intermediate Microeconomics: A Modern Approach*, W.W. Norton & Company, 8th edition, 2010.

Supplementary:

T. Nechyba, *Microeconomics: An Intuitive Approach with Calculus*, South-Western, Cengage Learning

W. Nicholson/C. Snyder, *Microeconomic Theory: Basis Principles and Extensions*, South- Western

A. Schotter, *Microeconomics: A Modern Approach*, South-Western 2009

H. Gravelle/R.Rees: *Microeconomics*, Pearson Education

R.Pindyck/D.Rubinfeld: *Microeconomics*, Pearson Education

J.Perloff, *Microeconomics with Calculus*, Pearson Education