

Instructor: **Ronald Wendner**

TA: **Markus Ruhs**

Office hours: TUE 10:00 – 11:00 a.m.

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## **320.312 CONSUMPTION, PRODUCTION, AND GENERAL EQUILIBRIUM (VU, 2h) (MICROECONOMICS 2)**

WED 15:45 – 17:15, HS 15.06 (F – EG)

**The course starts on 6 March 2024.**

### **1. COURSE DESCRIPTION**

This course deals with microeconomics for students in their 2<sup>nd</sup> year of an *economics* bachelor program. It is held in English. The course focuses on the standard setting with competitive markets where firms and consumers lack market power.<sup>1</sup> We will start with choice and demand (preferences, utility, income- and substitution effects) before discussing production and supply. The third part will bring together choice/demand by households and supply by firms. We will first deal with partial equilibrium before moving on to general equilibrium (simultaneous consideration of all interactions on several markets). We will close this course by investigating the welfare properties of a general equilibrium.

### **2. ESSENTIAL PREREQUISITES**

I assume familiarity with the basic concepts in microeconomics as offered by 1<sup>st</sup> year undergraduate microeconomics textbooks such as Pindyck and Rubinfeld, *Microeconomics*. Furthermore, I assume knowledge of basic mathematics as taught in *Wirtschaftsmathematik* and *Wirtschaftsmathematik für Volkswirtschaftslehre*. The course Mathematics for Economics (320.313) is not a strict prerequisite. However, *Mathematics for Economics* (320.313) is strongly recommended **before or in parallel to** *Consumption, Production, and General Equilibrium* (320.312).

### **3. LITERATURE**

#### **REQUIRED READING**

**Snyder, C., W. Nicholson, R. Steward (2015), *Microeconomic Theory. Basic Principles and Extensions*, Cengage Learning, Ashwin.**

As we will follow this book closely, you must have access to this textbook (either in print or as an e-book).

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<sup>1</sup> Other microeconomics courses extend this framework by investigating settings with market power (monopoly, imperfect competition), market failure (asymmetric information, externalities, public goods) as well as strategic decision making.

## FURTHER REFERENCES

At some points, you may want to consult a mathematics textbook. All books are put on reserve (Semesterhandapparat).

- Sydsaeter, K., P. Hammond, A. Strom, A. Carvajal (2016<sup>5</sup>), Essential Mathematics for Economic Analysis, Harlow: Pearson Education.
- Dixit, A. (1990), Optimization in Economic Theory, New York: Oxford University Press.

## 4. TENTATIVE SCHEDULE OF LECTURES AND PROGRAM

Week 1	Organizational issues; Preferences and utility [Nicholson/Snyder, ch. 3]
Week 2	Preferences and utility [Nicholson/Snyder, ch. 3]
Week 3	Utility maximization and choice [Nicholson/Snyder, ch. 4]
Week 4	Utility maximization and choice [Nicholson/Snyder, ch. 4]
Week 5	Utility maximization and choice [Nicholson/Snyder, ch. 4]
Week 5/6	Practice session: preparation for midterm exam <b>(19.04.2024, 11:45-13:15, HS 15.06)</b>
Week 6	Midterm exam
Week 7	Income and substitution effects [Nicholson/Snyder, ch. 6]
Week 8	Demand relationships among goods [Nicholson/Snyder, ch. 6]
Week 9	Production and cost functions [Nicholson/Snyder, ch. 9]
Week 10	Profit maximization [Nicholson/Snyder, ch. 11]
Week 11	The partial equilibrium competitive model [Nicholson/Snyder, ch. 12]
Week 12	General equilibrium and welfare [Nicholson/Snyder, ch. 13]
Week 13	Practice session: preparation for final exam <b>(usual place and date)</b>
Week 14	Final Exam

**Midterm Exam: 24 April 2024**

**Final Exam: 26 June 2024**

## 5. GRADING

My grading is based on your percentage achievement.

In-class participation:	max 15%
Midterm exam:	max 40%
Final exam:	max 45%

The percentage grades correspond to the letter grades as follows.

86-100 %: sehr gut (A), 73-85 %: gut (B), 60-72 %: befriedigend (C), 50-59 %: genügend (D), 1-49 % nicht genügend (F).

## 6. ABSENCE FROM EXAMS IN CASE OF ILLNESS

If you cannot attend an exam because of illness, you can take the exam later under the following conditions.

1. You give notice to me **before** the exam takes place.
2. Within three days of the exam, you send a **medical certificate that details why you could not participate**.
3. **Your replacement exam might be written or oral.** I will probably pursue an oral rather than a written exam.

## 7. FURTHER RESOURCES

**Office hours.** My office hours are for clarifying any questions regarding the materials we discuss you might have.

**Moodle.** Moodle supports our course. Please see your Moodle for further resources.

**My Uni Graz Website.** Please find auxiliary materials (transparencies, notes) at: <https://homepage.uni-graz.at/de/ronald.wendner/teaching/>