

Part I Paper 1: Microeconomics

2016-2017

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Paper Content

This is the introductory paper in microeconomics. It concerns the interactions of firms and households and studies, by means of partial and general equilibrium analysis, how relative prices and quantities are determined in markets. It also studies the welfare implications of market exchange and the causes and consequences of and remedies for market failures.

Aims of the Paper

The aims of the paper are to introduce students to microeconomic issues and problems, including the application of optimization methods to the analysis of economic behaviour and market outcomes. Previous knowledge of economics is not required.

Objectives of the Paper

After completing the paper, students should have an understanding of

(a) Rational choice; Revealed preference; Heuristics and biases in decision-making; Utility maximization; Comparative statics; Cost minimization; Profit maximization; Duality - expenditure minimization and utility maximization; Measures of changes in consumer welfare - Compensating and Equivalent Variation; Supply and demand analysis; Partial Equilibrium; Long run industry equilibrium; Monopoly and imperfect competition.

(b) General Competitive Equilibrium in simple pure exchange and production economies; Walras' Law; First and Second Welfare Theorems; Comparative Advantage; Theory of Externalities; Theory of Public Goods.

Lecture Courses

Consumer Theory and Producer Theory

(Dr A Erdil, 20 lectures, weeks 1-8, Michaelmas Term)

General Equilibrium and Welfare

(Prof. RA Evans, 20 Lectures, weeks 1-8, Lent Term)

Recommended Reading

Main text: Hal R. Varian (2014), *Intermediate Microeconomics*, 9th edition, W.W. Norton.

Other readings will be assigned for specific topics.

Supervisions

Suggested supervision assignments will be posted on the course website at the start of each term. Supervisions are organised by your Director of Studies.

Examination

The examination paper consists of two sections. In Section A candidates must answer all six short questions. These questions are designed to test the students' understanding of core concepts. Section B contains six longer questions from which the students must answer two.