

## **Part I Paper 1 Microeconomics 2021-2022**

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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) Utility maximization; Revealed preferences; Comparative statics; Cost minimization; Profit maximization; Duality (expenditure minimization and utility maximization); Measures of changes in consumer welfare (Consumer surplus, 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 M Safronov, 20 lectures, weeks 1-8, Michaelmas Term)

General Equilibrium, Externalities, and Welfare

(Dr K Liu) 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 and a supervision schedule will be posted on the course. Supervisions are organised by your Director of Studies.

### **Examination**

For details of the examination structure, please refer to the Form and Conduct Notice pages on Moodle.