

Academic Year 2016/2017
30325 Introduction to Economics - Module I: Microeconomics

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Course Website: <http://blackboard.unibocconi.it>

Course Overview

This course introduces the economic way of thinking about the world and the key principles of economics (optimization and equilibrium). In particular, it presents an analytical framework to analyze how individuals behave in a market (how consumers make purchase decisions and how firms make production decisions) and in society (how voters decide how to cast their vote and how parties decide what policies to offer), how (competitive and non-competitive) markets work and how government intervention affects the allocation of resources and the overall well-being of society. Students will also receive an introduction to game theory and to experimental economics. Finally, this course provides the background to understand the aggregate models of the whole economy students will tackle in the second module of Introduction to Economics.

Course Requirements

The exam is exclusively written. Course performance could be evaluated in two different ways:

- a) A midterm exam covering the first part of the course, followed by a final exam covering the second part of the course. Each exam lasts 1 hour and consists of two parts: 5 multiple choice questions (to be chosen out of 6 multiple choice questions) for a total of 10 points; 2 exercises (to be chosen out of 3 exercises) for a total of 20 points. The course is passed if the grade in both exams is at least 18. In this case, the final grade is the mean of the two, rounded upwards.
- b) A general exam which lasts 2 hours, covers the whole course and consists of two parts: 10 multiple choice questions for a total of 10 points; 4 exercises for a total of 20 points. The course is passed if the grade in the general exam is at least 18.

Students who fail the exam can retake it, in the general exam format. The official dates of the exams will be published on Bocconi website by the end of September. Results will be sent by SMS and published on your yoU@B between 10 and 20 days after the exam. To take an exam, you must register at Punto Blu, at least 4 working days before the exam date.

Textbooks and Other Course Material

The main textbook for the course is *Microeconomics* by Douglas Bernheim and Michael Whinston (MacGraw-Hill, 2014, abbreviated as B&W below). For some topics, you will be assigned readings from other sources. These readings are detailed in the timeline below and will be available on the course website (<http://blackboard.unibocconi.it>). On the same website, you will find the most

updated version of the syllabus, the slides I will use in class, the problem sets for the exercises classes (marked with E and highlighted in red in the timeline) and their solutions. I also recommend you to buy *Microeconomics – Exercises* (Egea, 2014), a book containing exercises similar to the ones you will find in the exams. Not all exercises on this book pertain to the material of this course. On the course website, you will find a document with the exact exercises that you should be able to solve for each topic.

MobLab

This course will use interactive games and *experiment-based learning*. You will experience first-hand the economic principles, the decision-making environments and the markets we will discuss in class. In order to do so, we will use an innovative online platform called MobLab. (You will be the first Bocconi students to use MobLab and no other course uses it yet!). To participate in these games, you must 1) follow carefully the instructions on the last page of this syllabus by the end of the first week of class and 2) bring to class a fully-charged laptop or tablet whenever you see **MobLab Games** on the course timeline below.

Attendance and Electronic Devices

While this is not a formal requirement, I expect students to attend class and I strongly recommend that you do so. I will use slides and will post them on the course website but slides are no substitute for lectures (for example, I will often solve exercises on the board which will not be on the slides). Moreover, in previous years, regular attendance was highly correlated with performance in the exams. I encourage your active participation in class so, please, feel free to ask any question at any time. Unless I instruct you to do so (for example, during the lectures when we use MobLab), cell phones, laptops, and other electronic devices must be turned off and put away during class. Not only this eliminates the temptation to check your Facebook wall or the latest Gazzetta dello Sport headlines, but research shows that taking notes by hand is better than taking notes on a laptop for remembering conceptual information (see <http://www.npr.org/2016/04/17/474525392/attention-students-put-your-laptops-away>).

Office Hours and Contacting Me

Carrie's office hours are on Tuesday 16:30-18:00. Mine are on Thursday 10:30-12:00 but I will not be available on 8/9, 20/10, 10/11, 24/11, 8/12. In those weeks, I will have office hours at these times:

Monday 5/9 16:30-18:00
Monday 17/10 10:30-12:00
Monday 7/11 10:30-12:00
Monday 21/11 10:30-12:00
Monday 5/12 10:30-12:00

Please, do take advantage of mine and Carrie's office hours. It would be remarkable if you did not need some assistance with the material, and we are here to help. You do not need an appointment. Just drop by during office hours and feel free to show up in groups. Our office hours are designed to minimize conflicts. However, if they are always infeasible for you, let us know, and we will make an appointment. You are free to ask Carrie and me *some* stuff by e-mail, (for example, a typo on a problem set or handout), but please realize that e-mails are terrible for answering many types of questions (especially those requiring long answers) and I might simply suggest you come see me at office hours.

Timetable and Topics

Note that we do not always meet in N30 and that some classes are held on Tuesdays

| | | Topic | Assigned Reading | Room |
|---------------------|----------------------------|---|--|------|
| L1 | Mon. 5.09 14.30-16.00 | Course Basics + The Beauty of Microeconomics/How Economists Think | Syllabus (<u>please read carefully!</u>) | N30 |
| L2 | Thur. 8.09 14.30-16.00 | Supply and Demand | B&W: Chapter 2, sections 2.1-2.2 | N30 |
| L3 | Mon. 12.09 14.30-16.00 | Market Equilibrium | B&W: Chapter 2, sections 2.3 excluding subsection "The Size of Changes in Market Equilibrium" | N30 |
| L4 | Thur. 15.09 14.30-16.00 | Elasticities + MobLab Games (bring a fully charged laptop or tablet to class!) | B&W: Chapter 2, section 2.4 excluding subsections "The Size of Changes in Market Demand, Revisited", "Other Elasticities" | N30 |
| L5 | Mon. 19.09 14.30-16.00 | Consumption Decisions 1: Consumer Preferences | B&W: Chapter 4 excluding subsections "Goods versus Bads" and "Perfect Complements" (but including "Perfect Substitutes") | N30 |
| L6 | Tue. 20.09 14.30-16.00 | Consumption Decisions 2: Budget Constraint | B&W: Chapter 5, sections 5.1 | N08 |
| L7 | Thur. 22.09 14.30-16.00 | Consumption Decisions 3: Consumer Choice + MobLab Games (homework) | B&W: Chapter 5, sections 5.2 | N30 |
| L8 | Mon. 26.09 14.30-16.00 | Production Decisions 1: Technology and Production | B&W: Chapter 7, sections 7.1-7.2 (excluding "Using the Marginal Product of Labor to Make Production Decisions"), 7.3 (only "Average and Marginal Products with More than One Input), 7.4 | N30 |
| L9 | Thur. 29.09 14.30-16.00 | Production Decisions 2: Costs | B&W: Chapter 8, sections 8.1, 8.4, 8.7 | N30 |
| E1 | Mon. 3.10 14.30-16.00 | Exercise Class on Demand & Supply, Elasticities, Consumption Decisions | Problem Set 1, available on course website (do it before class!) | N30 |
| L10 | Thur. 6.10 14.30-16.00 | Production Decisions 3: Profit Maximization | B&W: Chapter 9, sections 9.1-9.3, excluding "The Law of Supply" and "Changes in Input Prices and Shifts in the Supply Function" | N30 |
| L11 | Mon. 10.10 14.30-16.00 | Equilibrium and Efficiency | B&W: Chapter 6, section 6.1, (excluding "Compensating Variation"); Chapter 9, section 9.5 ; Chapter 14, sections 14.1, 14.2, 14.3 (only paragraph before "Long-Run Competitive Equilibrium with Free Entry"), 14.5 | N30 |
| L12 | Tue. 11.10 14.30-16.00 | Market Intervention | B&W: Chapter 15, Section 15.1 | N08 |
| E2 | Thur. 13.10 14.30-16.00 | Exercise Class on Production Decisions, Efficiency, Market Intervention | Problem Set 2, available on course website (do it before class!) | N30 |
| MIDTERM EXAM | | | | |

| | | Topic | References | Room |
|-------------------|------------------------------------|--|---|-------------|
| L13 | Thur. 27.10 14.30-16.00 | Monopoly 1 | B&W: Chapter 17, sections 17.1, 17.2 | N30 |
| L14 | Thur. 3.11 14.30-16.00 | Monopoly 2 | B&W: Chapter 17, sections 17.3, 17.6 | N30 |
| E3 | Mon. 7.11 14.30-16.00 | Exercise Class on Monopoly | Problem Set 3, available on course website (do it before class!) | N30 |
| L15 | Tue. 8.11 14.30-16.00 | Game Theory 1 | B&W: Chapter 12, sections 12.1-12.3 excluding subsections on “Nash Equilibria in Games with Finely Divisible Choices” and on “Mixed Strategies” | Notari |
| L16 | Thur. 10.11 14.30-16.00 | Game Theory 2 | B&W: Chapter 12, section 12.4, excluding subsection on "Cooperation in Repeated Games" | N30 |
| L17 | Mon. 14.11 14.30-16.00 | MobLab Games (bring a fully charged laptop or tablet to class) | | N30 |
| E4 | Thur. 17.11 14.30-16.00 | Exercise Class on Game Theory | Problem Set 4, available on course website (do it before class!) | N30 |
| L18 | Mon. 21.11 14.30-16.00 | Oligopoly 1: Bertrand Model | B&W: Chapter 19, Sections 19.1, 19.2 | N30 |
| L19 | Tue. 22.11 14.30-16.00 | Oligopoly 2: Cournot Model | B&W: Chapter 19, Sections 19.3 | Zappa |
| L20 | Thu. 24. 11 14.30-16.00 | Oligopoly 3: Stackelberg Model + MobLab Games (bring a fully charged laptop or tablet to class) | B&W: Chapter 19, Sections 19.7 (excluding subsection on “Raising Rivals’ Costs”) | N30 |
| L21 | Mon 28.11 14.30-16.00 | Externalities + MobLab Games (bring a fully charged laptop or tablet to class) | B&W: Chapter 20, Sections 20.1, 20.3 (excluding subsections on “Controlling Quantities versus Correcting Incentives” and on “Hybrid Market Approaches”), 20.4 | N30 |
| E5 | Thur. 1.12 14.30-16.00 | Exercise Class on on Oligopoly and Externalities | Problem Set 5, available on course website (do it before class!) | N30 |
| E6 | Mon. 5.12 14.30-16.00 | Course Review | | N30 |
| FINAL EXAM | | | | |

Honor Code

Bocconi University conceives of education as an ongoing process that stretches across a person’s entire professional life. The University hopes that the entire Bocconi community will respect the values of fairness and correctness associated with it, values which inspire and guide the conduct of all community members as they pursue common objectives and a shared mission. The Honor Code is available at www.unibocconi.eu/honorcode. I encourage all students to read it.