

Applied microeconomics

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Outline

1. Course description
2. FAQ from the course
3. Introduction to the discipline

Course description



Goal study discipline

- ▶ deepening microeconomic theory based on mathematical models, which formalize basic economic concepts.

Course objectives

- ▶ deepening the understanding of microeconomic phenomena and concepts,
- ▶ mastering the methods of microeconomic modeling and analysis,
- ▶ using the results of microeconomic analysis to develop and make management decisions,
- ▶ demonstration of the connection between microeconomic decisions and macroeconomic policy of the state.

Results teaching

- ▶ to know the basic microeconomic models;
- ▶ be able create and adequately assess microeconomic models;
- ▶ be able to apply microeconomic models for real economic situations;
- ▶ be able to apply the results of microeconomic analysis to make economic decisions.

Course structure

- ▶ 17 lectures
- ▶ 17 laboratory works
- ▶ 9 homeworks on computers
- ▶ 1 individual project
- ▶ 2 tests
- ▶ 1 exam

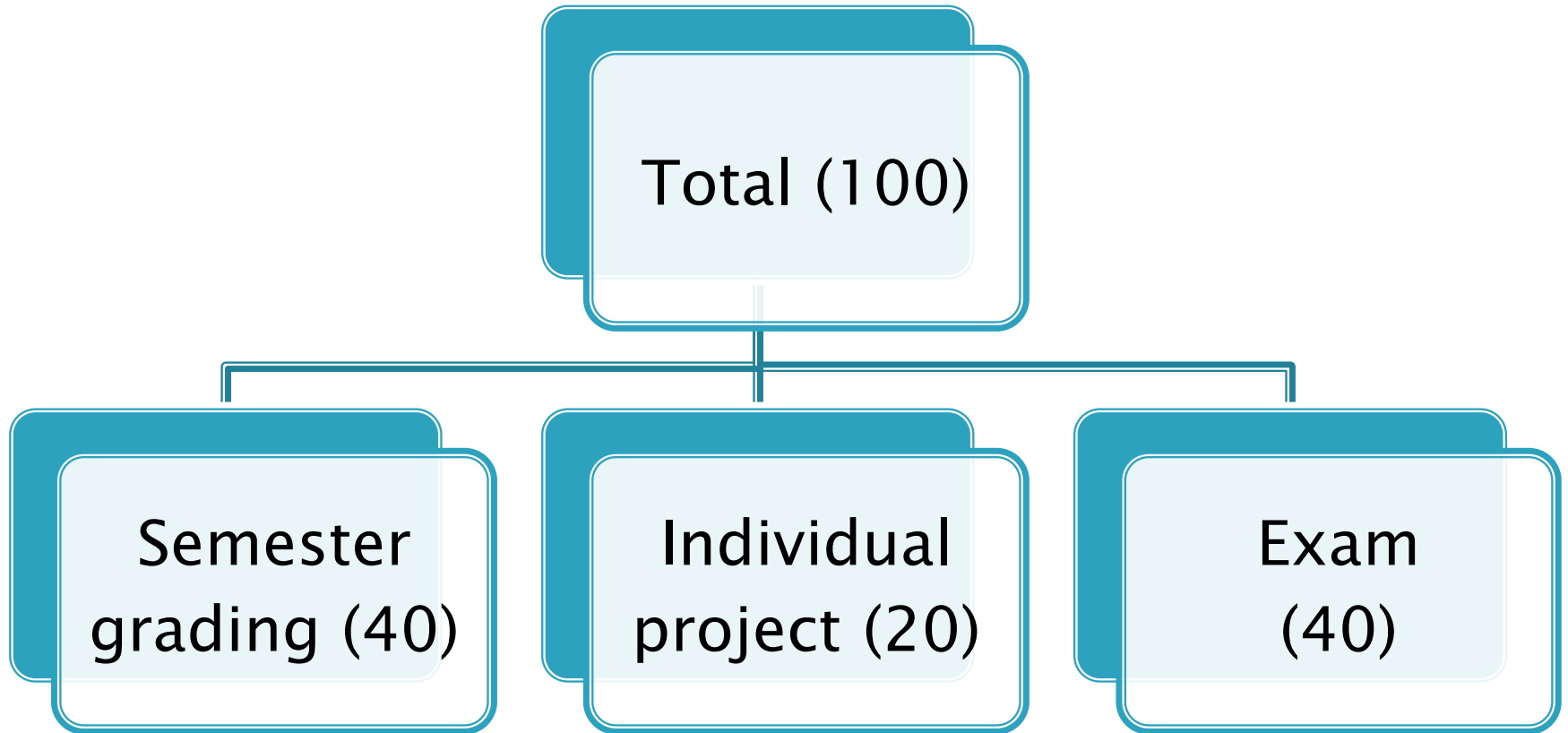
Course topics

- ▶ Model of individual consumer
- ▶ Modeling firm activity in market conditions
- ▶ Modeling markets with dominant firm
- ▶ Modeling external effects
- ▶ Modeling production factors
- ▶ Modeling tax policy
- ▶ Theory of crimes
- ▶ Modeling in the markets with asymmetric information
- ▶ Auction models
- ▶ Microeconomic modeling of external trade
- ▶ Models of general stochastic equilibrium

Information support

- ▶ Official site www.andriystav.cc.ua with materials of seminars, lectures, course news, exam questions, etc.
- ▶ Electronic journal of the course with online grades for all types of work.
- ▶ Online consultations by email: a.stavytskyy@gmail.com or Telegram

Evaluation



Work during the semester

- ▶ Doing Homework at computers (20 points)
- ▶ Performing mini-exercises in seminars and lectures (10 points)
- ▶ Test №1 (5)
- ▶ Test №2 (5)

Performing project

- ▶ Report
- ▶ Model
- ▶ Discussion

An integrated assessment is set!

Exam

- ▶ Theoretical question (10)
- ▶ Creative question (10)
- ▶ Calculation problem (10)
- ▶ Creative task on computers (10)

FAQ from the course



FAQ – 1

- ▶ I forgot course microeconomics. Do I have a chance to master this course?

FAQ – 2

- ▶ Will there be any difficult tasks or will everything be as simple as in microeconomics?

FAQ – 3

- ▶ If I need knowledge of higher mathematics or applied econometrics?

FAQ – 4

- ▶ Is it possible not to do the project or to pass it in late?

FAQ – 5

- ▶ I like to relax with humor. Will I be able to pass the exam? Will there be any bonuses for me?

FAQ – 6

- ▶ I really like programming. Will long tasks be interesting for me?

FAQ – 7

- ▶ I like to have fun, I don't like to program. Will I be able to pass the exam?

FAQ – 8

- ▶ I like travelling. May I suffer from it?

FAQ – 9

- ▶ I like to be late. Doesn't that threaten me?

FAQ – 10

- ▶ I have many solutions from my colleagues. Will I be graded at maximum?

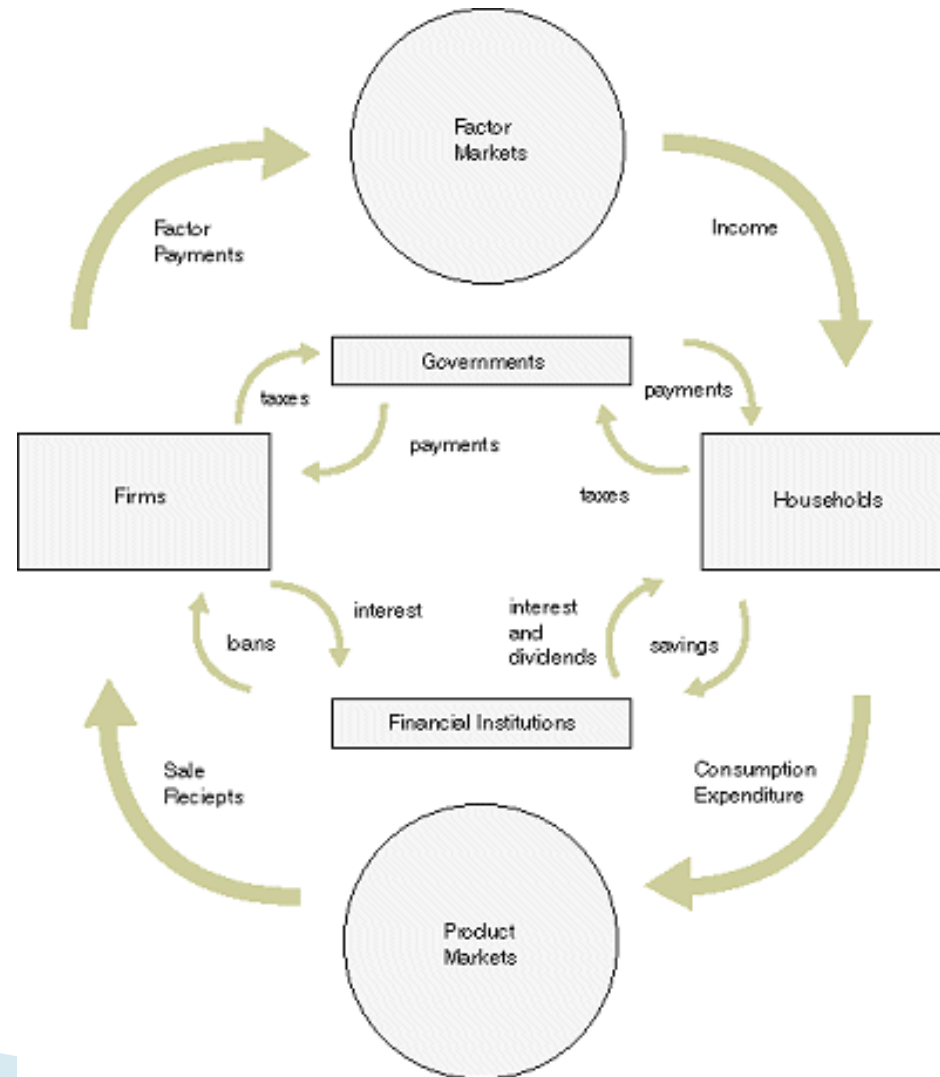
FAQ – 11

- ▶ And if you ask with big eyes, will it help on the exam?

Introduction to the discipline



The structure of the economic system



Basic assumptions of microeconomics

- ▶ egoistic behaviour;
- ▶ limited resources;
- ▶ human rationality;
- ▶ good human awareness;
- ▶ quantitative analysis of relationships;
- ▶ static analysis without significant changes in the economy.

But...

- ▶ T. Veblen: human life cannot be formalized.
- ▶ J. Galbraith: the higher the level of payment, the less important are other reasons.
- ▶ History: human was not rational before the market economy.

Concepts in microeconomics

- ▶ P.Samuelson: "Selected advantages" – is not the optimal, but some consistent choice without contradictions;
- ▶ G. Simon: "Limited rationalization" – the individual is looking for an acceptable option for economic behavior;
- ▶ H. Leibenstein: "Variable rationality" – an analysis of physiological aspirations of man to save their own efforts.
- ▶ D. Kahneman: behavioral economics studies the influence of psychological factors on people's decisions in various economic situations, attention is paid to situations where people behave differently than predicted by classical economic theory with its assumption of rationality and selfishness.

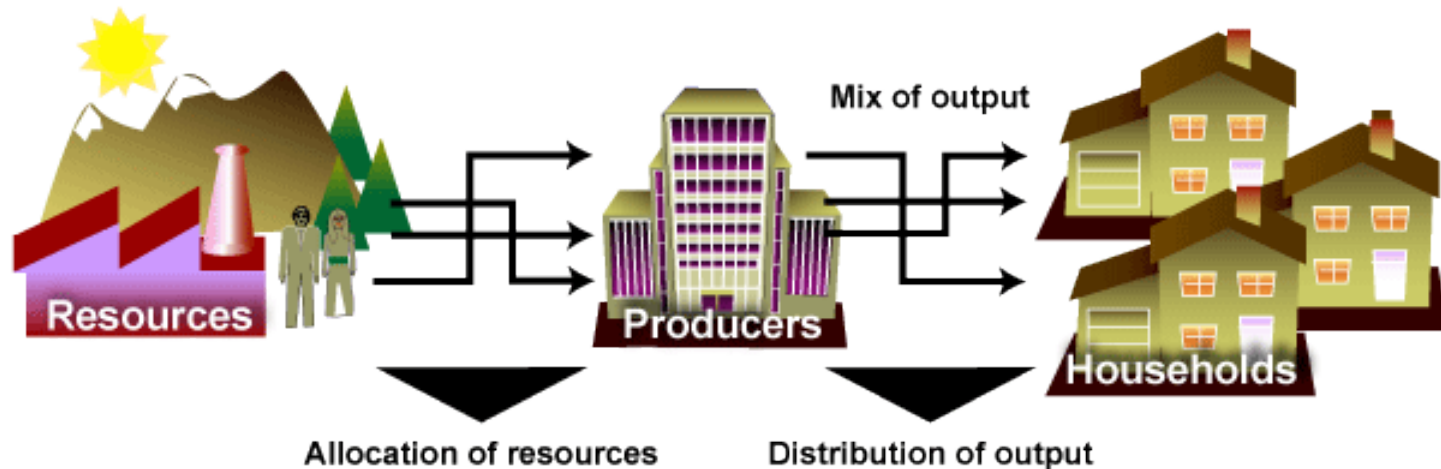
Preferences, Resources and Economic Efficiency

The three basic questions:

1. What gets produced?

2. How is it produced?

3. Who gets what is produced?



- Every society has some system or mechanism that transforms that society's scarce resources into useful goods and services.

Issues of microeconomics

what is

- ▶ what to produce
- ▶ how to produce?
- ▶ for whom to produce?
- ▶ how to distribute the possible supply of goods over time?

what should be

- ▶ how should the main economic functions be performed?

**Positive economy
(analysis)**

Regulatory economy

Different Economics Systems

- traditional solution
- command solution
- free–enterprise solution

The classification of a society does not necessarily remain fixed.

Criticisms of the Market Economy

- ▶ Wrong goods and services.
- ▶ The fallacy of consumer sovereignty.
- ▶ The pollution problem.
- ▶ Poverty amongst plenty.
- ▶ Inflation and unemployment.

- ▶ Public goods
- ▶ Externalities

Thank you!