

TET0070 Microeconomics II

Extended syllabus
Spring 2025

**Course
aims/objectives:**

The aim of this course is to extend the knowledge about microeconomics for future specialists. Introduce tools and methods of economic analysis that will serve as the strong basis for other courses in economics. The course considers the operation of a market economy and the problem of allocation of society's scarce resources. It considers how economic agents (individuals and firms) make their consumption and production decisions and how those decisions are coordinated. It considers the laws of supply and demand, introduces the theory of consumers and firms, and its components. The market failure are assessed as well as how public policies are designed to correct those.

Learning outcomes:

Knowledge and Understanding: The course aims to foster comprehension of the economic framework employed for the examination of decisions made by individuals within society, the dynamics of interactions between individuals and firms in markets, when markets fail, and the potential role of government policies in enhancing societal. (Learning outcomes 1-3)

Communication and Professional skills: The course aims to enhance students' capacity to formulate and uphold arguments utilizing the language and principles commonly employed in economics. Within this theoretical framework, students gain insights into the dynamics of interactions among economic agents, equipping and mastering them with the literacy and oral communication skills. (Learning outcomes 4-6)

On the successful completion of the course students will be able to:

1. understand the fundamental economic concepts (demand and supply, consumer choice, production, market structures);
2. describe how markets organize the allocation of resources and how governments regulate market failures;
3. relate the basic economic theories to current microeconomic issues;
4. master mathematical tools to model graphs for the main economic models (consumer, producers, markets);
5. conduct independent analysis and collaborative analysis with peers to explain economic events;
6. demonstrate proficiency, both written and verbal communication, using economic terminology.

**Brief description of
the course and topics
to be covered:**

The equilibrium in the market; budget constraint; preferences; utility; choice; demand; consumer's surplus; market demand; equilibrium; technology; cost minimization and cost curves; profit maximization; firm supply; industry supply; monopoly; oligopoly; exchange and efficiency; efficiency and equilibrium.

after each class. Visiting Professors may also come to teach during the semester if possible.

Lectures and exercises, complemented by supporting material. Interactive tools, market simulations, newspapers articles and scientific articles will be used during the lectures to foster the understanding of the phenomena under study.

Course's e-support:

Course materials (slides, exercises, videos, readings) can be accessed via the e-learning environment Moodle under the course title TET0070 Microeconomics II <https://moodle.taltech.ee/course/view.php?id=34798>

Students can enrol to the course themselves during the first class. If you have no Moodle account yet, please create it by filling in the registration form at <https://moodle.taltech.ee/login/signup.php>

Study literature:

Hal R. Varian. Intermediate Microeconomics. A Modern Approach. Sixth Edition. W. W. Norton Company, 2003

Feedback

Verbal feedbacks are provided to students during the whole course, in private meetings or during the lectures. Witten feedbacks are provided in the examinations' works.

Assessment

Examination.
If a student is sick at the time of the midterm exam and would like to take a **make-up midterm exam**, she/he has to forward a medical certificate to Simona Ferraro by email within 2 days after the scheduled midterm. A make-up exam will be arranged when the student is well again.

Assessment methods	Assessment criteria
Intermediate exam (evaluates learning outcomes 1-6).	Maximum 100 points. Five (5) exercises. Each exercise gives different points according to the difficulty. The exam has to be solved in 2 hours. The exam has to be solved in 2 hours, independently. The intermediate exam gives 40% of the final grade.
Final exam (evaluates learning outcomes 1-6) The final exam will be held in the end of the course.	Maximum 100 points. Five (5) exercises. Each exercise gives different points according to the difficulty. The exam has to be solved in 2 hours. The final exam gives 60% of the final grade

The exam must be solved individually **without the use of any material** (books, notes, notes, etc.). It is allowed to use a calculator without textual memory (use of computers, memory calculators, mobile phones and other equipment is not allowed during the exam). No additional partial exams will be scheduled during the academic year.

Eligibility for assessment:

No prerequisites

Final grade formation:

40% x midterm grade + 60% x final exam grade

The sum of points for each item is converted into a grade using the following principles:

"5" excellent 91-100

"4" very good 81-90

"3" good 71-80

"2" satisfactory 61-70

"1" poor 51-60

"0" fail less than 51

Assessment uses a threshold criterion combined with formative assessment. The students will receive feedback on their works. The summative grade is based on this combination.

Academic integrity:

As a student at TalTech School of Business and Governance, you have an obligation to conduct your academic work with honesty and integrity according to University standards. It is expected that all work that you submit will be your own, and that you have actually done the work that you are submitting. Plagiarism and cheating will not be tolerated. Should you be found to be guilty of such activities, it will be followed with grade "0" for the assignment or the whole course and a notice will be filed to the School's Committee for Handling Violations of Academic Practice and Contemptible Behaviour. Depending on the Committee's proposal, it may lead to Dean issuing a letter of reprimand or in case of repeated or very severe misconduct, exmatriculation from the University.

Detailed schedule and topics

The semester plan is preliminary and might be changed in case of cancellations, changes in available reading material, etc.

Week 1: February 4, 2025 from 13:45-17:00

Introduction to the course. Demand and supply, the market, equilibrium in the market.

Before-class: Chapters: 1 and 16

In class: lecture, practical part (with mathematical exercises, analysis of graphs), short reading with discussion in class.

After-class: read material provided in Moodle, watch videos uploaded (if any), solve few exercises as homework. Approximately 2h.

Week 2: February 11, 2025 from 13:45-17:00

Introduction to consumer theory: preferences and constraints, indifference curves, budget constraint, Marginal Rate of Substitution (MRS).

Before-class: Chapters from 2, 3, 4 and 5

In class: lecture and practical parts with mathematical exercises. 1-2 exercises as homework.

After-class: read material provided in Moodle and watch videos uploaded (if any). Approximately 4h.

Week 3: February 18, 2025 from 13:45-17:00

Market demand: consumer surplus, elasticity of demand and elasticity of supply and taxation.

Before-class: Chapters: 6, 8, 14 and 15

In class: lecture, practical part (with mathematical exercises, analysis of graphs) and card matching (game) in groups, in rotation in class for the first 3 blocks.

After-class: read material provided in Moodle and watch videos uploaded (if any). Approximately 6h.

Week 4: February 25, 2025 from 13:45-17:00

Intertemporal choice and choice under uncertainty.

Before-class: Chapters: 10, 12

In class: lecture, practical part (with mathematical exercises, analysis of graphs).

After-class: read material provided in Moodle and watch videos uploaded (if any). Approximately 4h.

Week 5: March 4, 2025 from 13:45-17:00

Introduction to firm theory: technology, production function, diminishing marginal productivity, economies of scale, Marginal Rate of Technical Substitution (MRTS).

Before-class: Chapters: 18, 19

In class: lecture, practical part (with mathematical exercises, analysis of graphs), crosswords or find the hidden word on Moodle

After-class: read material provided in Moodle and watch videos uploaded (if any). Approximately 3h.

Week 6: March 11, 2025

Intermediate exam. To study chapters covered from week 1 to week 5. The exam will last 2 hours.

Evaluation of knowledge acquired during the first part of the course. It consists of mathematical tasks with graphical representation.

Week 7: March 18, 2025 from 13:45-17:00

Cost function: cost minimization, cost curves.

Before-class: Chapters: 20, 21

In class: lecture, practical part (with mathematical exercises, analysis of graphs).

After-class: read material provided in Moodle and watch videos uploaded (if any), solve few exercises as homework. Approximately 3h.

Week 8: March 25, 2025 from 13:45-17:00

Firm theory: market structures, profit in competitive market and equilibrium in competitive market. Introduction to other markets.

Before-class: Chapters: 22, 23

In class: lecture, practical part (with mathematical exercises, analysis of graphs).

After-class: read material provided in Moodle and watch videos uploaded (if any). Approximately 3h

Week 9: April 1, 2025 from 13:45-17:00

Monopoly, equilibrium and profit in monopoly, social cost of monopoly.

Before-class: Chapters: 24

In class: lecture, practical part (with mathematical exercises, analysis of graphs).

After-class: read material provided in Moodle and watch videos uploaded (if any). Approximately 2h

Week 10: April 8, 2025 from 13:45-17:00

Oligopoly and strategic behaviour

Before-class: Chapters: 28

In class: lecture and seminar, discussion etc.

After-class: read material provided in Moodle and watch videos uploaded (if any). Approximately 4h

Week 11: April 15, 2025

Independent Learning

Minimum wage; individual labour supply

Before-class: Chapters: 27

No lecture in class: students should read one scientific article on labour economics uploaded on Moodle

Week 12: April 22, 2025 from 13:45-17:00

Game theory and concepts of welfare economics (Edgeworth box, first and second welfare theorem, asymmetric information, moral hazard, adverse selection).

Before-class: Chapters: 29 and some concepts from chapters 32-34

In class: lecture, card matching for the last blocks after intermediate examination

After-class: read material provided in Moodle and watch videos uploaded (if any). Approximately 4h