Program: Doctoral Academic Studies	

Course title: MICROECONOMICS THEORY 1

Teachers:
Prof. Dr. Boris Begović,
Prof. Dr. Aleksandra Jovanović,
Assoc. Prof. Dr. Branko Radulović.

Course status:
Mandatory for the field of Economics Analysis of Law, Microeconomics, and Macroeconomics, otherwise elective.

Number of ECTS: 10

Aims of the course:
The microeconomic theory considers the optimal choice of economic agents – consumers and producers (the owners of factors of production). It studies the mechanisms of supply and demand under different market structures as well as the formation of market equilibrium in a single or multiple markets (also known as the general equilibrium).

Course result:
The course expands the knowledge of microeconomic theory acquired in the undergraduate studies and develops a deeper understanding of microeconomic analysis. The main objective of the course is to offer a better understanding of mechanisms of supply and demand, and thus, allow lawyers to acquire necessary tools and methods of modern economics and apply them to the legal issues.

Course content:
Introduction: Economic modeling; Optimization and equilibrium; Comparative statics; Pareto efficiency; The comparison of alternative allocation methods; Long run equilibrium. **Budget constraint**: Properties of the budget set; Shift and rotation of the budget line; Tax, subsidies, and rationing. **Preferences:** Consumer preferences; Assumptions about properties of preferences; Indifference curve; Examples of preferences; Normal preferences; Marginal rate of substitution. **Utility:** Cardinal utility; Utility function; Examples of utility functions; Marginal utility and the marginal rate of substitution. **Choice:** Optimal choice; Consumer demand; Examples; Implications of the marginal rate of substitution. **Demand:** Normal and inferior goods; Income–consumption curve and Engel curve; Ordinary goods and Giffen goods; Price Consumption Curve and demand curve; Inverse demand function. **Revealed preferences:** Definition; Construction of preferences; Weak axiom of revealed preference; Strong axiom of revealed preference; The Slutsky equation; Substitution effect; Income effect; The total change in demand; Law of demand; The Hicks effect; Compensated demand curve; The application of the Slutsky equation. **Intertemporal choice:** Budget constraint; Consumer preferences; Comparative statics; The Slutsky equation and intertemporal choice; The present value; Net present value; Internal rate of return; The application. **Uncertainty:** Expected utility; Risk attitudes; Diversification; Risk sharing; Property risk. **Consumer surplus:** Demand for indivisible goods and continuous demand; Deriving utility from demand; Quasilinear utility; Calculation of consumer surplus. **Aggregate demand and demand elasticity:** From individual to aggregate demand; Inverse demand function; Elasticity and demand; Constant elasticity demand; Income elasticity. **Equilibrium:** Market equilibrium; Tax effects; Passing the tax burden; The effects of subsidies. **Technology:** Inputs and outputs; Production function; Examples of technology; the Marginal Rate of Technical Substitution и marginal product long run and short run; Economies of scale; Variable and fixed factors of production. **Costs:** Minimization of costs; Fixed and variable costs; Sunk costs; Returns to scale and cost function; Average costs; Marginal and variable costs; Long-run and short-run costs. **Individual and aggregate supply**: Supply decision of a competitive firm; Profits and producer surplus; Long run individual supply curve; Short-run and long-run aggregate supply curve; Short run market equilibrium; Economic rents.

Literature:
Varian, Hal R. „Microeconomic Analysis", 3rd ed. New York, NY: W.W. Norton, 1992. Mas-Colell, A., M. Whinston & J. Green, *„Microeconomic Theory"* New York, NY: Oxford University Press, 1995. Gibbons, Robert, *„A Primer in Game Theory"*, New York, NY: Harvester Wheatsheaf, 1992. Kreps, David M., *„A Course in Microeconomic Theory"*, Princeton: Princeton Univ. Press, 1990.

Number of hours	Lectures 75	An independent student research

Methods of instructions: lectures and consultations.

Grades (Maximum number of points is 100)
Semester assignments: 30 points.
Oral exam: 70 points.