

Introduction

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This workbook is designed as a support material to a Microeconomics textbook, and aims to be a valid help for students and teachers to find the right link between theory and practice.

It is divided into two parts: the first part - Themes - benefits from the experience gained by the authors during years of teaching at Bocconi University, and includes a series of theoretical contributions on some key topics covered in basic Microeconomics courses. The goal of this first section is to facilitate the learning and deeper understanding of certain areas whose comprehension may be difficult, or that sometimes do not receive adequately detailed treatment in traditional handbooks. These theoretical contributions regard consumer decisions, general economic equilibrium, game theory, choice under uncertainty, adverse selection and moral hazard.

The second part of the book - Exercises -, taking up much more space than the first, aims to treat the topics covered in most basic courses in Microeconomics. It is the result of our teaching experience, which has allowed us to see first-hand what are the main difficulties encountered by students when requested to solve Microeconomics problems. Essentially, the goal is to transfer the notions from theory into practice, and give students that possess a good grasp of the economic intuitions, a clearer idea of how to apply such intuitions to the resolution of the exercises.

Every topic - from consumer theory to externalities - is developed through two sections of, respectively, a more qualitative and more quantitative character. The proposed solutions do not just provide the correct answer but seek, as far as possible, to recall the theoretical assumptions underlying the solution method. These theoretical recalls are sometimes provided in the footnotes of the page, that are to be understood as an integral part of the explanation.

The “True, false or uncertain” questions invite the student to reflect on the implications and significance of the theoretical concepts just learnt. As often said in class, it is possible that different students respond differently to the same question and that both arguments provided be equally correct. This section tends to privilege the ability to grasp the intuition, reason logically on the basis of the concepts learnt, and provide a full explanation. The solutions proposed for this type of questions are meant for guidance purposes, and do not represent (or rather, do not always represent) the only possible theoretical footing for a correct resolution. Our intent is to indicate to the student a logical argument on which the answer can be based, and then leave him/her the task, if s/he so wishes, to formulate alternative procedures based on the theory learnt.

The questions marked as “exercises” feature stylised situations through which you can computationally check the accuracy of the economic insights. Therefore, students must always have a clear idea of what to expect from a certain situation before starting to solve an exercise. If you expect that an increase in the price of sugar leads to a decrease in the amount of sugar purchased by consumers, then the numbers will have to confirm it. This is it. The mathematical tool is a means by which to prove what we already expect.

The paper material is supported by supplementary questions and applications available online. Again online you may also find some questions drawn from recent Microeconomics (partial and general) exams proposed at Bocconi.

Great job to everybody!

 Patrice