

Identification	Subject	ECON 203 Microeconomics – 3KU (6 ECTS)
	Department	Economics and Management
	Program	Undergraduate
	Term	Fall, 2026
	Instructor	Rovshan Hajiyev
	E-mail	rovshan.hajiyev@khazar.org
	Classroom/hours	
	Office hours	By appointment
Prerequisites	ECON 101 – Introduction to Economics	
Language	English	
Compulsory/Elective	Compulsory	
Textbooks and course materials	Main reading: Varian, H. R., & Melitz, M. (2022). Intermediate microeconomics: A modern approach (Media update 9th ed.). W. W. Norton & Company. Supplementary material: • Mankiw, N. G. (2026). Principles of microeconomics (11th ed.). Cengage Learning. • Perloff, J. M. (2022). Microeconomics (9th ed.). Pearson. • Nicholson, W., & Snyder, C. M. (2017). Intermediate microeconomics and its applications (12th ed.). Cengage Learning. • Jehle, G. A., & Reny, P. J. (2011). Advanced microeconomic theory (3rd ed.). Pearson. • Pindyck, R. S., & Rubinfeld, D. L. (2024). Microeconomics (9th ed., Global ed.). Pearson.	
Course objectives	The course aims to provide students with a systematic understanding of the fundamental principles, models, and analytical methods of microeconomics. The course focuses on how consumers, firms, and markets make decisions under conditions of scarcity and how these decisions determine market outcomes. By the end of the course, students will have developed an understanding of consumer and producer behavior, market equilibrium, elasticity, welfare analysis, market structures, strategic interaction, and selected topics in general equilibrium and market failure. The course also introduces students to the application of economic reasoning to contemporary issues and the use of Artificial Intelligence (AI) in economic analysis, including demand forecasting, pricing, consumer choice, competition, labor markets, and information. Particular emphasis is placed on developing students' ability to use economic models, graphical analysis, mathematical reasoning, and empirical or real-world examples to analyze microeconomic problems and evaluate economic decisions and policies.	
Course outline	The course covers the following major areas: • Introduction to Microeconomics: The market, economic models, optimization, equilibrium, demand and supply, and market equilibrium. • Consumer Theory: Budget constraints and budget sets; taxes, subsidies, and rationing; preferences; indifference curves; marginal rate of substitution; utility; and utility maximization. • Consumer Choice and Demand: Optimal choice, consumer demand, normal and inferior goods, income and price offer curves, Engel curves, and elasticity. • Revealed Preference and Demand Analysis: Revealed preference, the Weak and Strong Axioms of Revealed Preference (WARP and SARP), and price indices. • Income and Substitution Effects: Substitution effects, income effects, the Slutsky equation, and the law of demand. • Intertemporal Choice and Uncertainty: Buying and selling, endowments, labor supply, intertemporal choice, asset markets, rates of return, arbitrage, present value, uncertainty, and risk aversion. • Welfare and Market Analysis: Risky assets, consumer surplus, producer surplus, benefit-cost analysis, market demand, and elasticity. • Market Equilibrium and Policy: Supply and demand, comparative statics, taxes, subsidies, deadweight loss, and Pareto efficiency. • Producer Theory: Cost minimization, cost curves, firm supply, industry supply, and short-run and long-run equilibrium. • Market Structure and Strategic Behavior: Monopoly, price discrimination, factor markets, oligopoly, game theory, and behavioral economics. • General Equilibrium and Market Failures: Introduction to general equilibrium, externalities, public goods, and asymmetric information.	

	• AI in Economics: Applications of AI to demand forecasting, pricing, consumer choice, market competition, labor markets, and information.		
Learning outcomes	Upon successful completion of the course, students will be able to: • Explain fundamental microeconomic concepts, principles, and terminology related to consumers, firms, markets, and economic decision-making. • Apply economic models of optimization and equilibrium to analyze individual and market behavior. • Analyze consumer choices using budget constraints, preferences, indifference curves, utility functions, marginal utility, and the marginal rate of substitution. • Determine optimal consumer choices and derive individual and market demand using graphical, mathematical, and economic reasoning. • Distinguish between normal and inferior goods and explain the effects of changes in income and prices on consumer demand. • Calculate and interpret price, income, and other relevant elasticities and explain their economic significance. • Apply revealed preference theory, WARP, SARP, and price indices to evaluate consumer behavior. • Explain and analyze income and substitution effects using the Slutsky equation and related demand concepts. • Evaluate decisions involving labor supply, intertemporal choice, asset markets, present value, uncertainty, and risk. • Calculate and interpret consumer surplus, producer surplus, and the welfare effects of market interventions. • Analyze market equilibrium and the effects of taxes, subsidies, and other policy interventions, including deadweight loss and Pareto efficiency. • Explain and apply the principles of production and cost minimization, including short-run and long-run cost analysis and firm and industry supply. • Analyze the behavior of firms under different market structures, including monopoly and oligopoly, and apply basic game-theoretic reasoning to strategic decisions. • Explain the basic concepts of general equilibrium and analyze selected market failures, including externalities, public goods, and asymmetric information. • Use graphs, equations, economic models, and quantitative reasoning to communicate and support microeconomic analysis. • Evaluate contemporary economic problems using appropriate microeconomic concepts and evidence. • Assess the potential applications and limitations of AI in economic analysis, including demand forecasting, pricing, consumer choice, competition, labor markets, and information. • Demonstrate independent critical thinking, ethical academic practice, and appropriate use and disclosure of digital and AI-supported tools in economic work.		
Teaching methods	Lecture		x
	Group discussion		x
	Case analysis		x
	Practice questions		x
Evaluation criteria	Methods	Date/deadlines	Percentage (%)
	Midterm exam	TBA	30
	Class attendance		5
	Class activity		5
	Quiz	Week 6 and Week 13	10
	Presentation	Weeks 14-15	10
	Final exam	TBA	40
	Total		100

Policy	Attendance and Participation Regular attendance and active participation are essential for successful completion of the course. Students are expected to attend all scheduled classes and to inform the instructor in advance, whenever possible, of any legitimate absence. Four (4) unauthorized absences may result in withdrawal from or expulsion from the course, subject to the applicable School of Economics and Management regulations. Students arriving more than ten (10) minutes late may not be permitted to enter the classroom until the beginning of the second double hour. Attendance and active participation account for 10% of the final grade. Preparation for Class Students are expected to come to class prepared by completing the assigned textbook readings and review questions, studying lecture materials and notes, and working on relevant economic problems before and after each class. Students should be prepared to participate in discussions, solve problems, interpret economic models, and apply microeconomic concepts to practical examples. Review and problem-solving sessions may be conducted during scheduled class periods to reinforce key concepts and prepare students for assessments. Withdrawal and Pass/Fail Requirements The course follows the grading and withdrawal policies of the School of Economics and Management. A minimum overall grade of 60% is required to pass the course. Students who do not achieve the required passing grade may be required to take a referral examination or repeat the course, in accordance with the applicable school and university regulations. Quizzes There will be two quizzes, together accounting for 10% of the final grade. Quizzes will assess students' understanding of concepts, models, graphs, and problem-solving techniques covered in the course. Make-up quizzes will be permitted only in cases of a documented or otherwise legitimate emergency, subject to the instructor's approval. Students are expected to complete and submit quizzes during the scheduled class period. Presentation and Independent Work Students may be required to complete presentations and independent assignments related to microeconomic concepts, applications, current economic issues, or topics specified by the instructor. Appropriate digital and AI-supported tools may be used where permitted by the instructor. However, students remain fully responsible for the accuracy, originality, interpretation, analysis, and proper referencing of their work. The use of AI tools must not replace the student's own economic reasoning, critical analysis, or intellectual contribution. Generative AI (GSI) Use Generative Artificial Intelligence (GSI) tools may be used to support learning and academic work where permitted by the instructor. Appropriate uses may include brainstorming, generating ideas, organizing information, supporting assignment preparation, and assisting with the understanding of economic concepts. Students must disclose the use of any GSI tools at the end of the relevant assignment. The disclosure should identify: - the GSI tool(s) used; - the purpose for which the tool was used; and - how the tool contributed to the student's work. Students are responsible for independently verifying all AI-generated information.
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Tentative Schedule			
Week	Date/Day	Topics	Textbook/Assignments
1		Introduction to Microeconomics; The Market; Constructing a Model; Optimization and Equilibrium; Demand and Supply; Market Equilibrium	Chapter 1: <i>The Market</i> ; Review Questions
2		Budget Constraint; Budget Sets; Taxes, Subsidies, and Rationing	Chapter 2: <i>Budget Constraint</i> ; Review Questions
3		Consumer Preferences; Indifference Curves; Marginal Rate of Substitution (MRS)	Chapter 3: <i>Preferences</i> ; Review Questions
4		Utility; Utility Functions; Marginal Utility; Utility and MRS	Chapter 4: <i>Utility</i> ; Review Questions

5		Optimal Choice; Consumer Demand; Examples of Consumer Choice; MRS Condition Quiz-1	Chapter 5: <i>Choice</i> ; Review Questions
6		Demand; Normal and Inferior Goods; Income and Price Offer Curves; Engel Curves; Elasticity	Chapter 6: <i>Demand</i> ; Review Questions
7		Revealed Preference; WARP; SARP; Price Indices	Chapter 7: <i>Revealed Preference</i> ; Review Questions
8		Substitution Effect; Income Effect; Slutsky Equation; Law of Demand Mid-term Exam	Chapter 8: <i>Slutsky Equation</i> ; Review Questions
9		Buying and Selling; Endowments; Labor Supply; Intertemporal Choice	Chapters 9–10; Review Questions
10		Asset Markets; Rates of Return; Arbitrage; Present Value; Uncertainty and Risk Aversion	Chapters 11–12; Review Questions
11		Risky Assets; Consumer's Surplus; Producer's Surplus; Benefit-Cost Analysis; Market Demand and Elasticity	Chapters 13–15; Review Questions
12		Market Equilibrium; Supply and Demand; Comparative Statics; Taxes; Subsidies; Deadweight Loss; Pareto Efficiency Quiz-2	Chapter 16: <i>Equilibrium</i> ; Review Questions
13		Cost Minimization; Cost Curves; Firm Supply; Industry Supply; Long-Run and Short-Run Equilibrium	Chapters 20–23; Review Questions
14		Monopoly; Price Discrimination; Factor Markets; Oligopoly; Game Theory; Behavioral Economics; Introduction to General Equilibrium, Externalities, Public Goods, and Asymmetric Information	Chapters 24–37; Selected Review Questions / Course Review
15		AI in Economics: AI Applications in Demand Forecasting, Pricing, Consumer Choice, Market Competition, Labor Markets & Information	Case Study; Course Review
		Final	

