

MICROECONOMIC THEORY I

TEXT:

Microeconomic Theory by Andreu Mas-Colell, Michael Whinston and Jerry Green, Oxford University Press, 1995

OTHER USEFUL TEXTS:

A Course in Microeconomic Theory by David Kreps, Princeton University Press, 1990

Microeconomic Analysis by Hal Varian, Third Edition, W.W. Norton & Co., 1992

Lecture Notes in Microeconomic Theory, by Ariel Rubinstein, free download at

<http://arielrubinstein.tau.ac.il/>

This is a first course in graduate level microeconomic theory for PhD students in economics and related fields. Students not in the Field of Economics need permission from the Economics DGS to enroll. The prerequisites for the course are intermediate microeconomic theory and mathematics through calculus of several variables and introductory real analysis. Additional mathematical tools will be explained briefly in lectures or in TA sections as the course proceeds. Students who do not have strong backgrounds in mathematics should take Economics 6170 (Intermediate Mathematical Economics I) concurrently. If you have questions about whether your mathematics background is sufficient for this course, please ask a professor or the TA as soon as possible.

This year the course will be divided into six topic areas with a different professor teaching each topic area.

Course Outline

1. Choice theory (Professor Easley)---preferences, choice, WARP, Slutsky, utility.
2. Consumer theory (Professor Kircher)---demand, indirect utility and expenditure functions, integrability, consumer surplus and possibly aggregation.
3. Theory of the firm (Professor Harris)---cost minimization and profit maximization, properties of cost and profit functions, input demand and duality.
4. Decision making under uncertainty Part 1. (Professor Blume)---von Neumann-Morgenstern (expected utility under objective uncertainty), subjective expected utility theory, ambiguity and incomplete preferences.

5. Decision making under uncertainty Part 2. (Professor Barseghyan)---Risk aversion. Asset pricing and demand. Insurance demand. Rabin's critique. Leading behavioral alternatives to EUT and their shortcomings.

6. Economics of Information (Professor Battaglini)---moral hazard, adverse selection and the principal agent model.

Problem Sets and Exams

One problem set will be assigned for each topic area. Your grade for the course will be based on the problem sets (25%) and the final exam (75%).