

Core Microeconomics Syllabus

Course Description

This is an advanced course in microeconomic theory. In this course, we will cover the standard economic models of individual decision-making with and without uncertainty, models of consumer behavior and producer behavior under perfect competition, the Arrow-Debreu general equilibrium model, and some basic issues in welfare measurement.

Logistics

The class meets MW 9:00 – 10:50 in Econ 218.

Students, whether present or absent, are responsible for all announcements made in class. I will make lecture notes, assignments, etc. available on the coursework web page: <http://coursework.stanford.edu>

Prerequisites

This class assumes a basic knowledge of intermediate microeconomics, and some level of mathematical sophistication, particularly with respect to optimization. If your mathematical background is weak, you'll probably want to do some additional reading and problems on your own. A good place to start is the mathematical appendix in MWG. Similarly, if you've not taken much economics before or want to brush up, you may want to look at an undergraduate microeconomics text. I suggest *Microeconomic Theory: Basic Principles and Extensions* by Walter Nicholson.

Assignments

There will be eight problem sets. Cooperation in solving problems on the assignments is encouraged, but you are expected to write up your own answers. Late homework cannot be accepted no matter what the reason. However, your lowest homework score will be dropped when computing final grades.

Exams

There are no make-up examinations. “Students are responsible for making sure, at the beginning of the term, that they can attend the exams. Registering for a course means that you certify that you will be present for the exam.”¹ The midterm exam will be in-class on Wednesday, October 27, 2004. The final exam is Thursday, December 9, 2004 from 8:30 – 11:30.

Grading

Grading will be based on a combination of assignments, class participation, a midterm and a final weighted as follows:

- 25 % Assignments (your lowest assignment grade is dropped)
- 5 % Class Participation and Attendance (determined by the professor)
- 20 % Midterm Exam
- 50 % Final Exam

Required Reading

The textbook for this class is *Microeconomic Theory* by Mas-Colell, Whinston, and Green. I strongly recommend that you purchase this book.

- Mas-Colell, A., Whinston, M. D., and Green, J. R. *Microeconomic Theory*. Oxford University Press. 1995.

Half-way through the course, we will discuss a paper by Kahneman and Tversky. It is your responsibility to find and read this paper. Because this is the only required journal article for this class, I expect you to read for high level of understanding. It will probably take you several times reading the paper to achieve this level of understanding.

Accordingly, I encourage you to obtain and begin reading this paper as soon as possible.

- Kahneman, D. and Tversky, A. “Prospect Theory: An Analysis of Decision Under Risk.” *Econometrica* 47:2, March 1979.

Optional Reading

The following two books are alternate graduate level textbooks:

- Kreps, D., *A Course in Microeconomic Theory*, 1990.
- Varian, H., *Microeconomic Analysis*, 3rd ed., 1994.

¹ *Economics Department Course Management*. This document can be found under the syllabus link in coursework or on the Economics Department web page under the courses link.

Outline of Topics

This is a preliminary course schedule. As the quarter progresses, some adjustments may be made.

1. Introduction

Reading: *Mathematics and Economics*

2. Choice Theory

Reading: Ch 1:A-D, Ch 2:A-F

Problem Set 1: Due Oct 6

3. Consumer Theory

Reading: Ch 3:A-G

Problem Set 2: Due Oct 13

Problem Set 3: Due Oct 20

Midterm Exam: October 27 – In Class

4. Producer Theory

Reading: Ch 5:A-G

Problem Set 4: Due Nov 3

Problem Set 5: Due Nov 10

5. Choice Under Uncertainty

Reading: Ch 6:A-F, *Prospect Theory*

Problem Set 6: Due Nov 17

6. General Equilibrium

Reading: Ch 15:A-E, Ch 16:A-G, Ch 17:A-I

Problem Set 7: Due Nov 24

Problem Set 8: Due Dec 1

Final Exam: December 9 from 8:30 to 11:30