Economics 202 Luigi Pistaferri & Ilya Segal
Economics 202N Luke Stein
Core Microeconomics TA: Carlos Lever
Fall 2008

Core Microeconomics Syllabus

Overview. Welcome to the first core class in Microeconomics. This course 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 classes meet Mondays and Wednesdays 1:15 – 3:05 in Landau Econ. room 140 (Econ. 202) and in Landau Econ. room 218 (Econ. 202N). Sections are currently scheduled on Fridays at

- 9:00 – 10:50 in 200-030 (for Econ. 202N), and
- 3:15 – 5:05 in 240-101 (for Econ. 202).

We will make lecture notes, assignments, etc. available on the coursework web pages. Our contact information is as follows:

Instructors:	Luigi Pistaferri	Ilya Segal	Luke Stein	Carlos Lever
Office Hours:	Wed. 3:30 – 5:30	Tue. 1:45 – 3:15	Fri. 2:00 – 4:00	Thurs. 2:00 – 4:00
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Office:	Landau Econ. 223	Landau Econ. 242	Landau Econ. 347	Landau Econ. 206

Prerequisites. This class assumes a basic knowledge of intermediate microeconomics, and some level of mathematical sophistication, particularly with respect to optimization. Students should be familiar with multivariable calculus, basic linear algebra, probability theory, and have experience writing mathematical proofs.

If your mathematical background is weak, you'll probably want to do some reading and problems on your own. The Levin/Rangel "Useful Math for Microeconomics" handout is a good place to start. Another possibility is the mathematical appendix in Mas-Colell, Whinston, Green.

Similarly, if you've not taken much economics before or want to brush up, you may want to look at an undergraduate microeconomics text. Among the good options are books by Nicholson, and by Pindyck and Rubinfeld.

Enrollment. Generally, Econ. 202 is intended for doctoral students in the Economics program, and the occasional upper-level undergraduate. Others should enroll in Econ. 202N.

Assignments. There will be six to eight problem sets and a final examination. Econ. 202N will also have a midterm examination. Cooperation in solving problems on the assignments is encouraged, but you are expected to write up your own answers. Late homework will be accepted only with prior notice and only under truly exceptional circumstances.

Grading. Grading will be based on a combination of assignments, a midterm (for Econ. 202N), and a three-hour final exam given during exam week. These will be weighted 25/75 (202) or 20/20/60 (202N) respectively. If you are a doctoral student in the Economics department, you will receive an "N" grade for this course on the official transcript until you take the comprehensive exam—at which time your comp grade determines your grade for all the courses in the micro core sequence. In the meantime, the department tracks your progress using the grading method described above.

Reading. The lecture notes are primary reading. There are also three excellent and well-known microeconomics textbooks:

Mas-Colell, A., M. Whinston and J. Green, Microeconomic Theory, 1995.

Kreps, D., A Course in Microeconomic Theory, 1990.

Varian, H., Microeconomic Analysis, 3rd ed., 1994.

Each book has its own style: MWG has the broadest coverage; Kreps is the most chatty; Varian is the most concise. We've ordered MWG at the bookstore—it gives reasonably clear presentations of most of the material in the course—but feel free to substitute another book if it suits you more.

Outline of Topics

1. Choice Theory: Preferences, Choice and Utility
Reading Choice Theory Notes, MWG Ch. 1A-D, Ch. 3B-C; Kreps Ch. 2.1.

Topics: Preferences, Choice and Revealed Preference, Utility Representation of Preferences, Properties of Preferences, Criticisms of Rational Choice Models.

2. Consumer Theory
Reading Consumer Theory Notes, MWG Ch. 2A-F, 3D-I; Kreps Ch. 2.2-2.3.

Topics: Consumer Problem, Properties of Marshallian Demand, Solving the Consumer Problem, The Dual Consumer Problem, Comparative Statics and Duality, Consumer Welfare, Applied topics (e.g., demand estimation, cost of living indexes, equivalence scales, Frisch demand functions)

3. Producer Theory
Reading Producer Theory Notes, MWG Ch. 5; Kreps Ch. 7.1-7.6, 8.1-8.3.

Topics: Production Sets and Technology, Profit Maximization, Cost Minimization, Market Supply and Equilibrium, Short-Run and Long-Run Equilibrium.

4. Choice under Uncertainty
Reading: Choice under Uncertainty Notes; MWG Ch. 6, Kreps Ch. 3

Topics: Expected Utility Model, Risk aversion, Stochastic Dominance, Applications and Comparative Statics Analysis, Savage Model, Behavioral Critiques.

5. General Equilibrium
Reading: General Equilibrium Notes; MWG Ch. 15-17, Kreps Ch. 6.

Topics: Concepts and Definitions, Welfare Theorems, Characterizing Equilibrium Allocations, Existence of General Equilibrium, Uniqueness and Stability of Equilibrium, Comparative Statics, Extensions to the Basic Model.