

KENT STATE UNIVERSITY
FALL 2009
MICROECONOMIC THEORY - ECON 62050 / BAD 72050

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Class time and location: MW, 2:15-4:55 p.m. in 213 BSA

Office hours: T, 9:30 a.m.-12:00 p.m.; 1:30 p.m.-4:00 p.m. and by appointment

Web: <http://vista8.kent.edu>

Course Description

This is an advanced course in microeconomic theory. Topics covered include consumer theory (preference relations, utility maximization, demand, welfare effects of changes in prices), choice under uncertainty, producer theory (production sets, cost minimization, the cost function, the profit function) and equilibrium and efficiency (competitive equilibrium, imperfect competition, information problems, externalities, introduction to non-cooperative game theory, the concept of Nash equilibrium and basic refinements).

Recommended Texts and References

The basic text most of the material discussed in class will be based on is:

Nicholson, W. & Snyder, C., “*Microeconomic Theory: Basic Principles and Extensions*,” 10th ed., Thomson South-Western. (*Nicholson*).

The following is an excellent textbook for background material in undergraduate microeconomics:

Varian, H., “*Intermediate Microeconomics*,” 6th or 7th ed., Norton. (*Varian IM*).

The 9th edition of the Nicholson text, *Varian IM*, as well as a third textbook [Hal Varian PhD’s level textbook, *Microeconomic Analysis*], are available on reserve in the library.

Additional material, such as articles that have appeared in the economics literature will be posted on Vista in time for you to complete the reading assignment. Such additional reading assignments will be announced in class.

Math background

There are many textbooks that cover the material you will need to know for this class. Students who completed Dandan Liu’s Quantitative Methods course most probably own a copy

of Klein's *Mathematical Methods for Economics*. The textbook by C. Simon and L. Blume, "*Mathematics for Economists*" (Norton), is an excellent reference, although the breadth of material covered in this text is much wider and the treatment much more advanced than in Klein.

Examinations and Grading

Midterm exam (Tentatively: Nov. 16)	30%
Final (Dec. 14)	35%
Homework/In-class quizzes	35%

I will use the +/- system (to some extent)

Holidays: Veterans Day (Nov. 11), Thanksgiving break (Nov. 25)

Topics I plan to cover

Please note that each day of class will be divided into two possibly independent sessions, with a 10 minute break between sessions. There will be 23 sessions, excluding exams. For each topic, I have indicated the chapter and pages to read in Nicholson's textbook and Varian's Intermediate Microeconomics text (*Varian IM*) when appropriate. Material in the *Varian IM* is optional (and redundant), but if you own a copy of the textbook, or if you have time to go to the library, it might not hurt to take a look at it. I have also indicated (with a *) where the material can be found in Varian's more advanced textbook. You are of course not responsible for the starred material.

Note: † = Will be more specific when we get to this.

1. Brief review of intermediate micro and math (2 sessions)

Nicholson, ch. 1 & 2
Varian IM

2. Consumer theory (4 sessions)

Nicholson, ch. 3
Nicholson, ch. 4
Nicholson, ch. 5, pp. 141-160 & 165-173
Nicholson, ch. 16, pp. 573-580

* *Varian, ch. 7, pp. 94-98 and 98-103, Varian, ch. 7, pp. 98-103, and Varian, ch. 7, pp. 103-end of chapter and ch. 8, pp. 116-124, Varian, ch. 10, pp. 160-168.*

3. Choice under uncertainty and risk aversion (3 sessions)

Nicholson, ch. 7, pp. 202-215

Varian IM, ch. 12

**Varian, ch. 11*

4. Elements of game theory (3 sessions)

Notes

Nicholson, ch. 8[†]

Varian IM, ch. 28

5. Production, profit, markets, efficiency and competition (5 sessions)

Profit maximization

Perfect competition and supply

Nicholson, ch. 9-11[†]

Varian IM, ch. 19 and ch. 22

Efficiency of the Competitive (Partial) Equilibrium

Nicholson, ch. 12

**Varian, ch. 13*

Market Power (Monopoly, Cournot and Bertrand with constant unit cost)

Notes

Nicholson, ch. 14 & 15[†]

Varian IM, ch. 27

**Varian, ch. 14, pp. 233-241 and ch. 13, pp. 215-218*

6. Adverse selection & moral hazard examples (4 sessions)

Information Problems in Markets: Lemons

Varian IM, ch. 36[†]

* *Varian, ch. 25 (Hidden information)*

A brief introduction to principal-agent problems and incentives provisions concerns

Notes

Nicholson, ch. 18, pp. 632-637

Varian IM, ch. 36, pp. 673-end

* *Varian, ch. 25 (Hidden action)*

7. Public goods and externalities (2 sessions)

Nicholson, ch. 19[†]

Varian IM, ch. 33 & 35

* *Varian, ch. 23 & 24*

The Following Policies Apply to All Students in this Course

A. Students attending the course who do not have the proper prerequisite risk being deregistered from the class.

B. Students have responsibility to ensure they are properly enrolled in classes. You are advised to review your official class schedule (using Student Tools/Flashfast) during the first two weeks of the semester to ensure you are properly enrolled in this class and section. Should you find an error in your class schedule, you have until Sunday, September 6, 2009 to correct the error with your advising office. If registration errors are not corrected by this date and you continue to attend and participate in classes for which you are not officially enrolled, you are advised now that you will not receive a grade at the conclusion of the semester for any class in which you are not properly registered.

C. Academic Honesty: Cheating means to misrepresent the source, nature, or other conditions of your academic work (e.g., tests, papers, projects, assignments) so as to get undeserved credit. The use of the intellectual property of others without giving them appropriate credit is a serious academic offense. It is the University's policy that cheating or plagiarism results in receiving a failing grade for the work or course. Repeat offenses result in dismissal from the University.

D. For Fall 2009, the course withdrawal deadline is November 24. Withdrawal before the deadline results in a "W" on the official transcript; after the deadline a grade must be calculated and reported.

E. Students with disabilities: University policy 3342-3-18 requires that students with disabilities be provided reasonable accommodations to ensure their equal access to course content. If you have a documented disability and require accommodations, please contact the instructor at the beginning of the semester to make arrangements for necessary classroom adjustments. Please note, you must first verify your eligibility for these through the office of Student Accessibility Services (contact 330-672-3391 or visit www.kent.edu/sas for more information on registration procedures).