Economics 601
Microeconomics
Fall 2013

Instructor	R. Vijay Krishna
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Office Hours	Thursday, 10:00 to 11:00 am and by appointment at 220A, Social Science Building

TA	Yanyou Chen
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Office Hours	Friday, 9:30 – 11:30 am, Languages 312 (Languages building is close to Bostock Library in West Campus)
Recitation	Mondays, 6:40 – 7:30 pm at Soc Psych 126.

Textbook: *Advanced Microeconomic Theory*, Jehle and Reny, 3rd ed.

Where: We will meet for *lectures* at 8:30 am, for 75 minutes, on Tuesdays and Thursdays, in 136 Social Science Building. As mentioned above, *recitation* sessions will be on Mondays from 6:40 – 7:30 pm at Soc Psych 126.

Grading: Grades will be based on your performance in the class will be determined by two in-class exams and one Final exam. The final exam will be worth 40% of your grade, while the other two exams will each count for 30% of the grade. There will be a recitation session and (non-graded) practice homeworks. Absenteeism from exams will be unacceptable except under the most extreme circumstances and in such cases the instructor must be notified *before* the exam. *We will not have makeup exams.* Note that if the performance of the class is exemplary, everybody could, in principle, end up with the top grade.

Tentative Schedule for midterms: September 19, MT1; October 24, MT2. (These dates are subject to change and will be confirmed in class.) The final exam is on Saturday, December 14, 7:00 pm to 10:00 pm.

Course Content

The goal of this course is to introduce to you to the vocabulary in microeconomics that is required of a professional economist. It will focus on the non-strategic decisions that economic agents make. The emphasis in this course will be on analytic methods, that don't necessarily rely on the use of the calculus.

Theory of Choice. We will look at the axiomatic theory of choice. We will then talk about ordinal utility theory

Consumer Theory. Classic models of consumer decision making will be introduced.

Producer Theory. We will see that producer theory is, in a certain sense, dual to consumer theory.

Choice under Uncertainty. Uncertainty plays a central role in economic decisions. We will look at the standard model of choice under uncertainty. We will then assume that the uncertainty is about money, which will allow us to introduce notions of riskiness (of assets) and risk aversion (of agents).

Comparative Statics. We will look at the central questions posed via comparative statics. Rather than use traditional Implicit Function Theorem methods, we will introduce supermodularity and monotone comparative statics.

Envelope Theorems. We will see a very sophisticated approach to envelope theorems, due to Milgrom and Segal. Indirect utility functions (or value functions) are pervasive in economics, and envelope theorems tell us about their local properties.

General Equilibrium. We will look at the most rudimentary markets and see the most fundamental theorems in the theory of value. We will also see the Arrow-Debreu model and some applications to asset pricing.

Sequential Choice under Uncertainty. If time permits, we will look at sequential decision making under uncertainty. We will see concrete applications of a simple class of stopping problems.

Dynamic General Equilibrium. If time permits, we will look at a simple recursive economy that allows us to price assets. This model is also known as the Lucas tree.