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School of Economics and Finance

## Econ 404

### ADVANCED MICROECONOMIC THEORY A

### COURSE OUTLINE 2008

A study of advanced microeconomic theories including: consumer theory, producer theory, general equilibrium, and decisions under uncertainty

#### Teaching Staff

Jack Robles	Office	RH 317
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	Office Hours	Thursday 2-3 (or by appointment)
Vladimir Petkov	Office	RH 311
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	Office Hours	Tu 11-12 (or by appointment)

#### Class Times and Room Numbers

Mondays 9:30-12:20 in RWW 126. Lectures are expected to last between 2 and 3 hours.  
Exam to occur between June 6<sup>th</sup> and 25<sup>th</sup>.

#### Readings

There is no required reading.

A good reference is:

Mas-Collel, Whinston, and Green, *Microeconomic Theory*, Oxford University Press, Oxford (1995).

A list of supplemental readings for the second half of the course is provided on Jack's web page.

## Assessment Requirements

The final grade in this course will be calculated using the results of two assignments and a final examination.

Assignment 1: Due at start of lecture 7, Monday, 28 April. 25%

Assignment 2: Due at 6 PM, Tuesday, 3 June. 25%

Final exam: Three hours, date to be advised. 50%

Late assignments will not be marked.

## Preparation

QUAN 201 (or QUAN 203) and ECON 314 are the formal prerequisites for this course. Although we will make extensive use of mathematical techniques, prior knowledge of advanced mathematics is not essential to succeed in this course. However, it is essential that you be comfortable with mathematical arguments.

## Lecture Outline

### Part I (VP)

1. **Consumer Choice:** Preference relations and choice rules; utility maximization and expenditure minimization; Walrasian and Hicksian demand; the indirect utility function and the expenditure function; the duality of expenditure minimization and utility maximization; integrability.
2. **Production:** production sets and technology; profit maximization and cost minimization; properties of the profit and cost functions.
3. **General Equilibrium:** existence of equilibrium, welfare analysis.

### Part II (JR)

4. **Preferences with Uncertainty:** lotteries, decision flow diagrams, axioms, basic reference lottery tickets, von Neuman-Morganstern utility functions.
5. **Preferences with Three Outcomes:** Indifference curves, risk and money love, linearity in probabilities.
6. **Risk Aversion:** Definition, the certainty money equivalent, the probability premium, measures of risk aversion.
7. **The Favourable Bet Theorem:** The Ulam coward, general statement.
8. **Monotonicity and Tradeoffs:** Mean-variance analysis, stochastic dominance, the demand for insurance.
9. **Topics:** Search the value of information.

## **Faculty of Commerce and Administration Offices**

### Railway West Wing (RWW) - FCA Student and Academic Services Office

The Faculty's Student and Academic Services Office is located on the ground and first floors of the Railway West Wing. The ground floor counter is the first point of contact for general enquiries and FCA forms. Student Administration Advisers are available to discuss course status and give further advice about FCA qualifications. To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

### Easterfield (EA) - FCA/Education/Law Kelburn Office

The Kelburn Campus Office for the Faculties of Commerce and Administration, Education and Law is situated in the Easterfield Building - it includes the ground floor reception desk (EA005) and offices 125a to 131 (Level 1). The office is available for the following:

- Duty tutors for student contact and advice.
- Information concerning administrative and academic matters.
- Forms for FCA Student and Academic Services (e.g. application for academic transcripts, requests for degree audit, COP requests).
- Examinations-related information during the examination period.

To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

## **General University Policies and Statutes**

Students should familiarise themselves with the University's policies and statutes, particularly the Assessment Statute, the Personal Courses of Study Statute, the Statute on Student Conduct and any statutes relating to the particular qualifications being studied; see the Victoria University Calendar or go to [www.victoria.ac.nz/home/about/policy/students.aspx](http://www.victoria.ac.nz/home/about/policy/students.aspx)

For information on the following topics, go to the Faculty's website [www.victoria.ac.nz/fca](http://www.victoria.ac.nz/fca) under Important Information for Students:

- Academic Grievances
- Academic Integrity and Plagiarism
- Student and Staff Conduct
- Meeting the Needs of Students with Impairments
- Student Support

Find out more about plagiarism, and how to avoid it, on the University's website:

[www.victoria.ac.nz/home/studying/plagiarism.html](http://www.victoria.ac.nz/home/studying/plagiarism.html)

### **Manaaki Pihipihinga Programme**

Manaaki Pihipihinga is an academic mentoring programme for undergraduate Māori and Pacific students in the Faculties of Commerce and Administration, and Humanities and Social Sciences. Sessions are held at the Kelburn and Pipitea Campuses in the Mentoring Rooms, 14 Kelburn Parade (back courtyard), Room 109D, and Room 210, Level 2, Railway West Wing. There is also a Pacific Support Coordinator who assists Pacific students by linking them to the services and support they need while studying at Victoria. Another feature of the programme is a support network for Postgraduate students with links to Postgraduate workshops and activities around Campus.

For further information, or to register with the programme, email [manaaki-pihipihinga-programme@vuw.ac.nz](mailto:manaaki-pihipihinga-programme@vuw.ac.nz) or phone (04) 463 6015. To contact the Pacific Support Coordinator, email [pacific-support-coord@vuw.ac.nz](mailto:pacific-support-coord@vuw.ac.nz) or phone (04) 463 5842.