

School of Economics and Finance

Econ 404
ADVANCED MICROECONOMIC THEORY A
COURSE OUTLINE 2009

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

Teaching Staff

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Class Times and Room Numbers

Trimester 1 of 2009: Monday March 2 to Wednesday July 1.

Thurs 9:30-12:20 in RWW 126. Lectures are expected to last between 2 and 3 hours.

Exam to occur between June 12th and July 1st.

Students who enrol in courses with examinations are obliged to attend an examination at the University at any time during the formal examination period.

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.

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.

Assessment Requirements

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

Assignment 1: 25%

Part 1: 5 PM Friday 27 March (week 4.)

Part 2: 5 PM Friday 1 May (week 7.)

Assignment 2: 25%

Part 1: Due at start of lecture 9, Monday, 11 May.

Part 2: Due at start of lecture 11, Monday, 25 May.

Part 3: 3 PM Monday 1 June 8 (week 13.)

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

Late assignments will not be marked.

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.

Course Learning Objectives

By the end of this course, students should be able to

- 1) Formulate and solve microeconomic models
- 2) Apply the Fundamental Theorems of Welfare Economics
- 3) Identify when stochastic dominance is relevant, and then use it to make decisions.
- 4) Apply the Favorable Bet Theorem

Expected Workload

The expected workload is 150 hours. Actual times will depend upon the student.

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 on the ground floor (EA005). This counter is the first point of contact for:

- 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

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

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

Academic Integrity and Plagiarism

Academic integrity is about honesty – put simply it means *no cheating*. All members of the University community are responsible for upholding academic integrity, which means staff and students are expected to behave honestly, fairly and with respect for others at all times.

Plagiarism is a form of cheating which undermines academic integrity. The University defines plagiarism as follows:

The presentation of the work of another person or other persons as if it were one's own, whether intended or not. This includes published or unpublished work, material on the Internet and the work of other students or staff.

It is still plagiarism even if you re-structure the material or present it in your own style or words.

Note: including the work of others will not be considered plagiarism as long as the work is acknowledged by appropriate referencing.

Plagiarism is prohibited at Victoria and is not worth the risk. Any enrolled student found guilty of plagiarism will be subject to disciplinary procedures under the Statute on Student Conduct and may be penalised severely. Consequences of being found guilty of plagiarism can include:

- an oral or written warning
- cancellation of your mark for an assessment or a fail grade for the course

- suspension from the course or the University.

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

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 or phone (04) 463 6015. To contact the Pacific Support Coordinator, email pacific-support-coord@vuw.ac.nz or phone (04) 463 5842.