

School of Economics and Finance

## **Econ404 Advanced Microeconomic Theory**

Trimester One 2011

### **COURSE OUTLINE**

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#### **Names and Contact Details**

##### Lecturer and Coordinator

Jack Robles  
Room RH 317  
Office Hours: By appointment  
Email: [jack.robles@vuw.ac.nz](mailto:jack.robles@vuw.ac.nz)  
Mail Box: Mezzanine Floor, RH, Box # 72

##### Lecturer

Vladimir Petkov  
Room RH 311  
Office Hours: By appointment  
Email: [vladimir.petkov@vuw.ac.nz](mailto:vladimir.petkov@vuw.ac.nz)  
Mail Box: Mezzanine Floor, RH, Box # 74

#### **Class Times and Room Numbers**

##### Lecture Times and Location

Thursday: 3:40am - 5.30pm in RWW 128

#### **Assessment Requirements**

The assessment for the course consists of two assignments, and a final examination.

Assignment 1: 25%

Part 1: Week 4, 5PM Friday 25 March

Part 2: Week 7, 5PM Friday 29 April

Assignment 2: 25%

Part 1: Week 9, 5PM Wednesday 11 May.

Part 2: Week 11, 5PM Wednesday 25 May.

Part 3: Week 13, 5PM Wednesday 8 June.

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

Assignments to be placed in the relevant Mezzanine Floor mail box.

Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning objectives as required for accreditation and audit purposes. The findings may be used to inform changes aimed at improving the quality of FCA programmes. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.

#### **Readings**

There is no required reading.

A good reference is:

Mas-Colell, 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.

## Course Content

### Part I (VP)

1. **Consumer Choice:** Preference relations and choice rules; utility maximisation and expenditure minimisation; Walrasian and Hicksian demand; the indirect utility function and the expenditure function; the duality of expenditure minimisation and utility maximisation; integrability.
2. **Production:** production sets and technology; profit maximisation and cost minimisation; 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 Neumann-Morgenstern 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 Risk:** Mean-variance analysis, stochastic dominance, the demand for insurance.
9. **Topics:** Search, the value of information, subjective expected utility.

## 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

**Mandatory Course Requirements** There are no mandatory course requirements.

**Penalties** 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.

## Communication of Additional Information

Additional information will be announced either in lecture or on blackboard.

## Trimester Dates

Teaching Period: Monday 28 February – Friday 3rd June

Study Period: Monday 6 June – Thursday 9 June

Examination Period: Friday 10 June – Saturday 2 July (inclusive)

## Withdrawal from Course

Your fees will be refunded if you withdraw from this course on or before 11 March 2011. The standard last date for withdrawal from this course is 14 May. After this date, students forced to

withdraw by circumstances beyond their control must apply for permission on an *'Application for Associate Dean's Permission to Withdraw Late'* including supporting documentation  
The application form is available from either of the Faculty's Student Customer Service Desks.

### **Course Delivery**

is via lectures and tutorials.

### **Expected Workload**

This is a 15 point course which implies a workload = 150 hours. Hours expected per week = 19 (over 13 weeks), or 20 (over 12 weeks). This is a guide only and individual students should not feel constrained by it.

### **Examinations**

Students who enrol in courses with examinations are obliged to attend an examination at the University at any time during the formal examination period. The final examination for this course will be scheduled at some time during the period from Friday 10 June – Saturday 2 July 2011.

### **Class Representative**

A class representative will be elected in the first class, and that person's name and contact details made available to VUWSA, the Course Coordinator and the class. The class representative provides a communication channel to liaise with the Course Coordinator on behalf of students.

**For the following important information follow the links provided:**

### **Academic Integrity and Plagiarism**

<http://www.victoria.ac.nz/home/study/plagiarism.aspx>

### **General University Policies and Statutes**

[Find key dates, explanations of grades and other useful information at www.victoria.ac.nz/home/study](http://www.victoria.ac.nz/home/study)

[Find out about academic progress and restricted enrolment at http://www.victoria.ac.nz/home/study/academic-progress.aspx](http://www.victoria.ac.nz/home/study/academic-progress.aspx)

[The University's statutes and policies are available at www.victoria.ac.nz/home/about/policy](http://www.victoria.ac.nz/home/about/policy), except qualification statutes, which are available via the Calendar webpage at <http://www.victoria.ac.nz/home/study/calendar.aspx> (See Section C).

[Further information about the University's academic processes can be found on the website of the Assistant Vice-Chancellor \(Academic\) at www.victoria.ac.nz/home/about\\_victoria/avcacademic/default.aspx](http://www.victoria.ac.nz/home/about_victoria/avcacademic/default.aspx)

### **AVC (Academic) Website: information including: Conduct, Academic Grievances, Students with Impairments, Student Support**

[http://www.victoria.ac.nz/home/about\\_victoria/avcacademic/Publications.aspx](http://www.victoria.ac.nz/home/about_victoria/avcacademic/Publications.aspx)

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

<http://www.victoria.ac.nz/fca/studenthelp/>

### **Manaaki Pihipihinga Programme**

[http://www.victoria.ac.nz/st\\_services/mentoring/](http://www.victoria.ac.nz/st_services/mentoring/)