

Syllabus
(ECON 604 – Part I)
Spring 2016

MICROECONOMIC THEORY

Course Description:

Economics 604 is the second semester of the Economics Department's two-semester core sequence in *Microeconomics*. This course is taken by all first-year Economics Ph.D. students, as well as by quite a few Ph.D. students in Agricultural & Resource Economics, the Smith School of Business, and other academic departments. The first half of the semester is general equilibrium and social choice theory. Professor Daniel Vincent will be teaching the second of the semester.

Instructor: Erkut Ozbay

Email: ozbay@umd.edu

Office: TYD 4101B

Office Hours: Th 10:30-11:30 (by appointment)

Lectures: T Th: 2:00pm-3:15pm (TYD 0101)

TA: Xuezheng Tao

Discussion: F 2:00pm-3:15pm (TYD 2108)

Office Hours: M 2:00pm-3:30pm (TYD 3115p)

Course Objectives:

By the end of the quarter, each student should be able to know:

- the concepts (definitions and theorems)
- the assumptions (what would happen if these assumptions are relaxed?)
- the proof techniques
- the applications

Course Website:

All official course announcements will be posted on the course website: <http://elms.umd.edu>. If you are registered for this course, you can use your directory ID and password to access the website.

Suggested Textbook:

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

(JR) Jehle and Reny, *Advanced Microeconomic Theory*, Addison Wesley, 2000.

Other useful Textbooks:

Debreu, Gerard. *Theory of Value*, Yale, 1959.

Varian, Hal R. *Microeconomic Analysis*, Norton, 1992.

Starr, Ross. *General Equilibrium Theory: An Introduction*, Cambridge, 1997.

Simon, Carl P. and Lawrence Blume, *Mathematics for Economists*, New York: W.W.Norton, 1994.

Problem Sets:

Problem sets will be regularly posted in the course website. They are to be handed in at your discussion session on the date due. Problem sets will not be graded, but they will be a good measure for keeping track of your performance in the class.

Expectations of Students:

You are expected to attend lecture and discussion section regularly, fully utilize the text book and other course materials, complete problem sets on time, and every week check the course website for updated information. You should ask questions, articulate your ideas and concerns out loud, and if you find that you can't follow the logic of lectures, please visit office hours. Not all material from the text will be covered on the exams; in contrast, all material covered in lectures and discussion sections should be considered "testable".

Midterm:

The midterm is scheduled for **Tuesday, March 29** in class. Review Session: **March 24, Thursday**

Outline:

- Pure Exchange Economy (MWG, Ch. 15)
 - The Edgeworth Box (MWG, 15B)
 - Competitive Equilibrium
 - Pareto Optimality
 - One Consumer – One Producer Economy (MWG, 15C)
- Private Ownership, Private Goods Economy – General Framework (MWG, Ch. 16 & 17)
 - The Basic Model and Definitions (MWG, 16B)
 - Pareto Optimality (MWG, 16E & 16F)
 - Competitive Equilibrium
 - The First Welfare Theorem (MWG, 16C)
 - The Second Welfare Theorem (MWG, 16D)
 - Existence (MWG, Ch 17C)
 - Uniqueness (MWG, Ch 17D)
- Externalities (MWG, Ch 11)
 - Altruistic Agents
 - Ad Valorem Taxes (Closed and Open Economies)
- Public Goods (MWG, Ch 11C)
- State Contingent Markets (MWG, Ch 19)
 - Arrow Securities and Assets (MWG, Ch 19B)
 - Arrow Debreu Equilibrium for Exchange Economies (MWG, Ch 19C)
 - Radner Equilibrium (MWG, Ch 19E)
 - Incomplete Markets (MWG, Ch 19F)
- Social Choice Theory