
ECO 2060H1F
Economic Theory – Micro (MA)

University of Toronto
Department of Economics

2014

Course Objectives

This is a graduate-level course in microeconomic theory. There are several objectives:

- To provide a rigorous, self-contained presentation of the most important concepts in microeconomic theory;
- To prepare students for their current (MA) graduate studies, bridging the gap between graduate economics courses and heterogeneous MA student background;
- The coverage of theory is accordingly “applied,” and tailored to support MA students in the other courses in their program: Graduate courses at U of T frequently have a mix of PhD and MA students, and the microeconomics learned in MA Micro will help students participate fully in the field courses.
- After completing this course students should be able to critically read the “theory sections” of most papers in “applied research” in economics, in support of careers as professional economists, inside and outside academia.
- Similarly, the course is excellent preparation for future PhD studies in economics, where students will have an opportunity to more rigorously study the foundations of microeconomic theory.

Instructors

First Module (September 8 through October 21)

Instructor: Professor Dwayne Benjamin, dwayne.benjamin@utoronto.ca
Office hours: Tuesdays, 4:30 to 5:30pm (“drop in”)
Tuesdays, 5:30 to 6:30 pm (by appointment only)
Appointments can be made at: <https://www.timetrade.com/book/9BTRK>
Office: Department of Economics, #138

Second Module (October 22 through December Final Exam)

Instructor: Professor Colin Stewart, colinstewart@gmail.com
Office hours: Wednesdays, 3:00 to 4:00pm (“drop in”)
Wednesdays, 4:00 to 5:00 (by appointment only)
Appointments can be made at <https://calendly.com/colinstewart/oh>
Office: Department of Economics, #223

Teaching Assistant: Xin Zhao, skyxin.zhao@utoronto.ca

Time and Place

Tuesdays: 9:10am to 11:00am, AB107

Thursdays: 9:10am to 11:00am, AB107

We provide a detailed schedule below, but we typically have regular lectures three days out of four, with a tutorial on the fourth day. Tutorials will be primarily used for taking up problem sets, but the course TA (Xin Zhao) is also willing to discuss other topics, as long as he is given several days notice. He will also be holding regular office hours.

Communications

There is a Blackboard website for the course. Please check it periodically for announcements, handouts, etc. Email is not an appropriate medium for discussing course content, and should be limited to logistical questions about the course. Questions about course content are better addressed during class or office hours.

Readings

Given the nature of the course, there is no single textbook that we feel comfortable requiring. Instead, there are several excellent books, a combination of which will cover most of the material.

For the first half of the course, the most useful textbooks are:

- *Economics and Consumer Behavior*, A. Deaton and J. Muellbauer, Cambridge University Press
- *Microeconomic Analysis*, (3rd edition), by H. Varian, W.W. Norton.

For the second half of the course, useful textbooks include:

- *An Introduction to Game Theory*, by M. Osborne, Oxford University Press.
- *Game Theory for Applied Economists*, by R. Gibbons, Princeton University Press.

Evaluation

The grade is based on the following:

Task	Weight	Due Date(s)
Problem Sets	20%	<ul style="list-style-type: none">• Problem Set 1, September 25• Problem Set 2, October 9• Problem Set 3, November 11• Problem Set 4, November 27
Mid-Term Exam	40%	<ul style="list-style-type: none">• Tuesday, October 21 (in class)
Final Exam	40%	<ul style="list-style-type: none">• During December Exam Period

Problem Sets: There will be four problem sets, each worth 5% of the final grade. These are due in class on the specified dates.

- In case of illness (and inability submit a paper copy during class-time), problem sets may be submitted to the TA by email.
- Late problem sets will not be accepted (no medical notes accepted for problem sets)

We encourage you to work together. However, each student must submit their own answers, with explanations in their own words. We also request that you indicate which students you worked with (if any).

Mid-Term and Final Exams: There are two exams in the course, one for each module. Both tests will be closed book.

Overview of Coverage

The first module concentrates on consumer theory, and the foundations of “supply and demand”:

- The focus is on the behavior of price-taking individuals in perfectly competitive markets, the foundation of which is a carefully-developed theory of consumer behavior, emphasizing individual responses to prices (incentives).
- The equilibrium determination of prices in competitive markets (general equilibrium);
- Throughout, connections are drawn between behavior, market outcomes, consumer, and overall social welfare;
- We also provide a brief overview of producer theory, including a discussion of externalities.

The second module studies deviations from the neoclassical supply and demand framework, relaxing the assumption of price taking behavior, and considering more general forms of economic interaction:

- More specifically, in this module, we incorporate uncertainty, imperfect information, and strategic behaviour. Topics include:
 - Choice under uncertainty;
 - Game theory, including applications to oligopoly and auctions;
 - Imperfect information, including adverse selection, signalling, and moral hazard.

Calendar

Week	Tuesday	Thursday
1	Sept. 9: Lecture 1.1 (DB)	Sept. 11: Lecture 1.2 (DB)
2	Sept. 16: Lecture 1.3 (DB)	Sept. 18: Tutorial 1 (XZ)
3	Sept. 23: Lecture 1.4 (DB)	Sept. 25: Lecture 1.5 (DB) [Pset 1 Due]
4	Sept. 30: Lecture 1.6 (DB)	Oct. 2: Tutorial 2 (XZ)
5	Oct. 7: Lecture 1.7 (DB)	Oct. 9: Lecture 1.8 (DB) [Pset 2 Due]
6	Oct. 14: Lecture 1.9 (DB)	Oct. 16: Tutorial 3 (XZ)
7	Oct. 21 (Mid-Term Exam)	Oct. 23: Lecture 2.1 (CS)
8	Oct. 28: Lecture 2.2 (CS)	Oct. 30: Lecture 2.3 (CS)
9	Nov. 4: Tutorial 4 (XZ)	Nov. 6: Lecture 2.4 (CS)
10	Nov. 11: Lecture 2.5 (CS) [Pset 3 Due]	Nov. 13: Lecture 2.6 (CS)
	Nov. 18: No Class (Break)	Nov. 20: Tutorial 5 (XZ)
12	Nov. 25: Lecture 2.7 (CS)	Nov. 27: Lecture 2.8 (CS) [Pset 4 Due]
13	Dec. 2: Tutorial 6 (XZ)	

Planned Lectures and Associated Readings

*** Coverage and pace are both subject to change***

We highlight potentially useful background reading from the recommended sources. These are not specifically required readings, but offered as suggested readings in support of the lecture material. There is material in lectures not in the books, and vice versa. An outline of lectures and related readings for the Second Module will be provided later this semester.

Lecture 1.1: Budget Constraints

- D&M, Chapter 1, parts of Chapter 4
- Varian, parts of Chapter 9

Lecture 1.2: Preferences, Utility, and Choice

- D&M, Chapter 2
- Varian, Chapter 7

Lecture 1.3: Comparative Statics – Do Demand Curves Slope Downward?

- D&M, Chapter 2, parts of Chapter 4
- Varian, Chapter 8

Lecture 1.4: Special Topics in Demand

- D&M, parts of Chapter 5
- Varian, parts of Chapter 9

Lecture 1.5: Prices and Welfare

- D&M, Chapter 7
- Varian, Chapter 10

Lecture 1.6: Exchange and General Equilibrium

- Varian, Chapter 17

Lecture 1.7: Social Welfare and Inequality

- D&M, Chapter 9
- Varian, Chapter 22

Lecture 1.8: Production

- Varian, Chapters 1 through 5 (some is redundant to consumer theory)

Lecture 1.9: Introduction to Market Imperfections: Monopoly and Externalities

- Varian, Chapter 24