

**ECO2060H1S: ECONOMIC THEORY – MICRO (MFE)**  
**UNIVERSITY OF TORONTO**  
**DEPARTMENT OF ECONOMICS**  
**WINTER 2015**

### **Course Objectives**

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

- To provide a self-contained presentation of the most important concepts in microeconomic theory;
- To support students in their current (MFE) graduate studies, bridging the gap between graduate field coursework and heterogeneous MFE student background;
- 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 their careers as professional financial economists.

### **Instructor**

Professor Yosh Halberstam, [yosh.halberstam@utoronto.ca](mailto:yosh.halberstam@utoronto.ca)

Lectures: Mondays, 4:10 to 5:30pm, GE 100  
Tuesdays, 9:40 to 11:00am, ES B142

Office Hours: Tuesdays 3:30 to 4:30pm (drop in)  
Tuesdays 4:30 to 5:30pm (by appointment only)

Appointments can be made at <http://www.calendly.com/yosh/oh-mfe>

Office: Department of Economics, #311

\* There will typically be one 5-minute break during each lecture.

### **Teaching Assistant**

Daniel Chippin, [daniel.chippin@mail.utoronto.ca](mailto:daniel.chippin@mail.utoronto.ca)

Tutorials: Fridays, 2:10 to 3:00pm, GE 100

Office Hours: Wednesdays, 4:00 to 5:00pm  
Fridays, 3:00 to 4:00pm

The location for the TA office hours is TBA. Requests for topics to be covered in tutorials are welcome as long as they are made several days in advance. See exceptions to the schedule during midterm week below.

### **Communications**

There is a Blackboard website for the course. Please check it periodically for announcements, handouts, etc. Email should be used only for 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 I 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 textbook is:

- *Microeconomic Analysis*, 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
Problem sets	20%	<ul style="list-style-type: none"><li>• Problem set 1, January 23</li><li>• Problem set 2, February 6</li><li>• Problem set 3, March 13</li><li>• Problem set 4, March 31</li></ul>
Midterm exam	40%	<ul style="list-style-type: none"><li>• Tuesday, February 10 (in class)</li></ul>
Final exam	40%	<ul style="list-style-type: none"><li>• During April exam period</li></ul>

\* The midterm exam will take place in class on February 10 from 9:30 to 11:00am. During that week the lecture on Monday, February 9, will end at 5:10pm (no break), and there will be no tutorial on February 13.

*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 to 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 his or her own answers, with explanations in their own words. We also request that you indicate which students you worked with, if any.

*Exams:* Both the midterm and final exams will be closed book. The final exam will include material covered after the midterm.

## Course Content

The first half of the course concentrates on consumer theory, and the foundations of supply and demand:

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

The second half of the course studies deviations from the neoclassical supply and demand framework. We relax the assumption of price-taking behaviour, and consider more general forms of economic interaction. More specifically, 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.

*Selected topics and associated readings:*

Consumer theory. Varian, 7–10

Production. Varian, 1–5

General equilibrium. Varian, 17–18

Uncertainty, Varian 11

Game theory. Gibbons, 1–2, Osborne, 2–6, 12

Information. Varian, 25