

ECO2060H1S: Economic Theory – Micro (MFE)
University of Toronto
Department of Economics
Winter 2019

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

Lectures: Mondays, 4:10 to 5:30pm*, GE 100
 Fridays, 2:10 to 3:30pm*, GE 100

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

Office Hours: Tuesdays 10:00 to 12:00pm (by appointment)
 Appointments must be made at least 24 hours in advance at
 <http://www.calendly.com/yosh/oh>

Office: Department of Economics, GE 311

Teaching Assistant

Daniel Chippin, daniel.chippin@mail.utoronto.ca

Office Hours: Wednesdays, 10:10 to 11:00am, GE 106

Office Hours: Thursdays, 5:10 to 6:00pm, GE 313

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">• Problem set 1 (5%), January 28• Problem set 2 (5%), February 11• Problem set 3 (5%), March 18• Problem set 4 (5%), April 5
Midterm exam	30%	<ul style="list-style-type: none">• Monday, February 11 (in class)
Final exam	50%	<ul style="list-style-type: none">• During April exam period

* The midterm exam will take place in class on February 11 from 4:10 to 5:30pm.

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

Guest speakers:

In the weeks following the midterm, we will have 2-3 guest speakers who are former MFE graduates with extensive labour market experience. Guest speakers will connect via Skype at the beginning of class on Fridays to discuss their work and how they leverage microeconomic analysis to problem-solve. The goal is to help you take the long view on the work you will be doing for this course. Unlike applied finance courses, insights from microeconomic theory withstand changes to the economic environment experienced during one's career.

General rules:

There are typically no extensions or make-ups. Penalty for lateness may range up to 10 percent of your assignment grade per day. The TA is your initial contact for any course logistics. Any appeal to reverse a TA decision must be filed to me in writing using no more than 250 words together with supporting documents where applicable.

Plagiarism:

Academic integrity is of utmost importance. Please be diligent to attribute any work that is not originally yours. Attribution is key to protecting the value of your degree and your hard work. Many current events where integrity-related issues have had serious consequences. Please consult the OSAI website on the student code of conduct: <http://www.artsci.utoronto.ca/osai/students>