Economics 611—Microeconomic Theory 2
Fall 2018

Lectures: Tuesday and Thursday 4:05–5:25pm. Location: Leacock 424.

Instructors:
Jian Li (first half). Office: 426 Leacock. Telephone: 514-398-3030 extension 00830. Email: jian.li7@mcgill.ca (please include “Econ 611” in subject for filtering.) Office hours (tentative): Tuesday and Thursday 5:30-6:15pm.
Licun Xue (second half). Office: 433 Leacock. Telephone: 514-398-1565. Email: licun.xue@mcgill.ca. Office hours: TBD.

A Few Words About the Course:

This is the first part of a two-semester doctoral level microeconomic theory sequence. The goal is to introduce you to microeconomic theory at an advanced level. In the fall semester (Econ 611), we will study “classic” topics on consumer and producer theory, decision under risk and uncertainty, and game theory. In the winter semester (Econ 720), topics on contract theory and general equilibrium will be covered.

You will encounter some rigorous mathematical proofs in lectures, problem sets, and exams. Background in undergraduate level analysis and the math camp materials will be very helpful. We hope that by the end of this sequence, you will: (i) gain a solid understanding of key concepts and results in microeconomic theory, (ii) develop the skills and a rigorous thinking needed to read the latest “technical” articles in economics journals, and (iii) develop the ability to write simple models and proofs for your own research.

Course Materials:

You are expected to attend all the lectures and take notes. I will post relatively detailed notes on MyCourses (www.mcgill.ca/lms), which focus on the technical details of the topics taught in lectures and may contain more examples and exercises. You are responsible for understanding these notes to solve homework problems and prepare for exams. Besides the notes, there are one textbook and three recommended references for this course. You can read them for further background and applications, and some homework questions will come from the textbook.

Textbook (first half):

**Recommended References** (first half):


**Evaluations:**

You will be evaluated by a combination of (i) problem sets (10%), (ii) midterm (45%), and (iii) final exam (45%).

For the first half of the semester, approximately every week a **problem set** will be handed out, which will be due the next Tuesday before lecture. Suggested solutions will be posted online at *MyCourse* (www.mcgill.ca/lms) soon so no late problem set is accepted. After midterm, one randomly selected problem set will be graded carefully. Problem sets are the best way to learn the materials. So you should try very hard on finishing them. You are welcome (even encouraged) to work in groups, but you must write up the solutions on your own, using your own words and understandings. Copied solutions will get a score of zero.

There will be a three-hours **midterm exam** set tentatively on **October 16 (from 6-9pm)**. Midterm accounts for 45% of your final grade.

There will be a three-hour **final exam** in December (time and location TBA). The final exam will only cover materials taught after the midterm. Final exam accounts for 45% of your grade.

**McGill Policy Statements**

McGill University values academic integrity. Therefore, all students must understand the meaning and consequences of cheating, plagiarism and other academic offences under the Code of Student Conduct and Disciplinary Procedures (see www.mcgill.ca/students/srr/honest/ for more information).
According to Senate regulations, instructors are not permitted to make special arrangements for final exams. Please consult the calendar, section 4.7.2.1, General University Information and Regulations, at www.mcgill.ca.

In accord with McGill University’s Charter of Students’ Rights, students in this course have the right to submit in English or in French any written work that is to be graded.

**Tentative outline**

Below is a tentative outline of topics that will be covered *before midterm*. Actual lectures are subjected to changes.

**PART 1: CHOICE THEORY**

**Choice and Utility Representation**

Preference and choice, Preference and ordinal utility, Structural properties of utility.

Reading: Note 1–4.

**Walrasian demand**

Utility maximization problem (UMP), Solving UMP in differentiable case, Comparative statics.

Reading: Note 5.

**Hicksian demand**

Expenditure minimization problem (EMP), Slutsky equation and Roy’s identity, Duality between UMP and EMP.

Reading: Note 5.

**Revealed Preference**

Afriat’s Theorem.

Reading: Note 6.

**Theory of Firms**

Reading: Note 7.
DECISION UNDER RISK AND UNCERTAINTY

The mixture space theorem, von Neumann and Morgenstern expected utility, Anscombe and Aumann expected utility.

Reading: Note 8–10.

UTILITY FOR MONEY

Risk aversion, Arrow-Pratt measure of risk aversion, First order stochastic dominance, Second order stochastic dominance.

Reading: Note 12.