

Course Syllabus

Course Information

<i>Course Number/Section</i>	ECON 7301 001
<i>Course Title</i>	Microeconomics Theory II
<i>Term</i>	Spring 2018
<i>Days & Times</i>	Th 8:30-11:15am
<i>Classroom</i>	CB 1.210

Professor Contact Information

<i>Professor</i>	Xin (Sherry) Li
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<i>Teaching Assistant</i>	Shuo Yang
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Course Description

This is the second course in a two-course sequence on microeconomic theory. The topics include general equilibrium theory of markets and welfare economics, uncertainty, externalities, public goods, information asymmetries, and social choice and welfare.

Student Learning Objectives/Outcomes

1. To analyze, evaluate, and understand formal models of the general equilibrium theory of markets and welfare economics.
2. To analyze, evaluate, and understand formal models of positive/negative externalities, public goods and roles of the government.
3. To analyze formal relationships between the partial equilibrium theory and the general equilibrium theory.
4. To understand the application of the general equilibrium approach, public goods, uncertainty and information asymmetries in applied fields of economics.

Textbooks

Mas-Collel, Andreu, Michael D. Whinston, and Jerry R. Green, **Microeconomic Theory**, Oxford University Press, New York, 1995. Denoted as [MWG]. (Required)

Varian, Hal, **Microeconomic Analysis**, Third Edition, Norton Press, 1990. Denoted as [V]. (Recommended)

Attendance

Attendance at class is not mandatory. However, you are strongly urged to come to class on time and prepared. Try to do all your readings as scheduled. It is old-fashioned common sense that those who attend class and participate typically have higher grade averages than those who do not.

Important Dates

Mar. 1

Examination 1

Mar. 12 - 18

Spring break – no classes

Grading

Your course grade is determined as follows:

10% Problem sets

45% Examination 1

45% Final examination (date TBA)

90 or above ~ A

80 or above ~ A-

75 or above ~ B+

70 or above ~ B

60 or above ~ B-

Below 60 ~ C

Three problem sets will be given. Each will account for 3.33% of your semester grade. You are encouraged to work on the problem sets together. However, you should always turn in *independently written* answers. The problem sets should be turned in at the beginning of the class of the due date. Late homework will not be accepted. Grades assigned include 3.33%, 2%, 1%, or 0% indicating “excellent”, “good”, “poor” or “unacceptable” performance. The right to judge the performance is in my sole discretion. Problem sets that fail to be turned in on time will get zero.

The exams may have a take-home portion. You are not allowed under any circumstances to cooperate on the exams. The final exam will be comprehensive.

There will be no makeup for exams under any circumstances. If you are late for an exam you will be allowed whatever remaining time there is in that exam session and no more, for any reason. If you miss the midterm examination with a documented (that means a verifiable document from the authorities responsible for your absence) pre-approved (that means before the test or exam) excuse (clear and convincing proof of “emergency” circumstances is mandatory and the right to excuse is in my sole discretion) then your grade will be determined as follows:

Final examination 90%

If an absence of the kind contemplated in the preceding paragraphs does occur, it is your responsibility to contact the appropriate University authorities to verify the emergency nature of your absence.

If you miss the final exam, you will receive an F for the course grade.

It is your responsibility to contact me during the first three weeks of class, i.e. by January 25, 2018, if there’s anything that I should know about for special accommodation for any of the exams. I will try to work out a suitable arrangement, but I must know about it during the first two weeks of class. Except for documented illnesses and emergencies, no special arrangements for examinations will be made after the first two weeks of class. It is also your responsibility to bring me the required documentations or have the responsible parties contact me for any kind of special accommodation for any of the exams.

Please be aware that your grade is not negotiable under any circumstances and any efforts to the contrary will not be recognized.

Schedule

0. Review on Consumer Theory and Producer Theory

1. General Equilibrium I

A. Edgeworth Box Analysis

- Read: MWG 15
- One consumer and one producer economy
- Two consumers and no producer economy (pure exchange)
- Two consumers and two producers economy
- GE versus partial equilibrium
- Welfare theorems in the Edgeworth box

B. Welfare Properties of Equilibria

- Read: MWG 16
- Welfare Theorems
- Pareto optimality
- First-order conditions for Pareto optimality

C. Positive Theory of General Equilibrium

- Read: MWG 17A-H, 18B
- Excess demand approach to equilibrium
- Existence of Walrasian equilibrium
- Non-representative agents: Sonnenschein-Mantel-Debreu “Anything Goes” theorem
- Uniqueness and gross substitutability
- Tatonnement stability, and local uniqueness
- Core and equilibrium

2. Uncertainty

- Read: MWG 6
- EU theory
- Risk aversion
- Stochastic dominance
- Subject utility

3. General Equilibrium II: Under Uncertainty

- Read: MWG 19A-F, 19H
- Contingent commodities
- Arrow-Debreu equilibrium: risk sharing and Idiosyncratic vs. aggregate risk
- Asset markets and arbitrage
- Incomplete markets: sunspots and Hart’s example

- Informational trade and rational expectations: Kreps example of non-existence of REE
- Generic nonexistence of REE with costly information

4. Externalities and Public Goods

- Read: MWG 11
- Basic externalities
- Public goods
- Multilateral externalities
- Second-best outcomes

5. Information Asymmetries

A. Adverse selection

- Read: MWG 13
- Spence's job signaling model
- Pooling equilibrium
- Screening equilibrium
- Rothschild and Stiglitz insurance model

B. Principal/Agent problem

- Read: MWG 14A-B
- Moral hazard
- Insurance contracts

Comet Creed

This creed was voted on by the UT Dallas student body in 2014. It is a standard that Comets choose to live by and encourage others to do the same:

“As a Comet, I pledge honesty, integrity, and service in all that I do.”

UT Dallas Syllabus Policies and Procedures

The information contained in the following link constitutes the University's policies and procedures segment of the course syllabus.

Please go to <http://go.utdallas.edu/syllabus-policies> for these policies.

The descriptions and timelines contained in this syllabus are subject to change at the discretion of the Professor.