

## University of California, Davis

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Preliminary

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### Agricultural Economics 200A & Economics 200A MICROECONOMIC THEORY Fall 2004

Lectures: TBA

Sections: TBA

The course web page can be accessed through the portal <http://my.ucdavis.edu/>.

This is the first course of the basic Microeconomic Theory sequence for graduate students in the Ph. D. programs. The only prerequisite is a good command of the Math Camp material.

The objective of the course is threefold:

- (a) to acquire a working knowledge of modern microeconomic theory;
- (b) to develop the ability to model and formally analyze economic issues, and
- (c) to gain familiarity with the use of theoretical tools in empirical work.

#### TEXTBOOK

Andreu Mas-Colell, Michael D. Whinston and Jerry Green, *Microeconomic Theory*, New York: Oxford University Press, 1995.

#### OTHER BOOKS

\* The Math Camp textbook (Carl P. Simon and Lawrence Blume, *Mathematics for Economists*, New York: Norton 1994) is a useful reference for many 200A topics.

\* The command of the Math Camp material is a prerequisite for ARE/ECN 200A, but, on the other hand, the course does presuppose the knowledge of intermediate microeconomics. Nevertheless, if you have never taken intermediate microeconomics (or if you have forgotten it), you may wish to consult from time to time an intermediate microeconomics textbook for simple, low-tech versions of some of the ideas, for some applications and for two-dimensional graphs. A good such book is Hal R. Varian *Intermediate Microeconomics* 6<sup>th</sup> edition (2003). (Varian also has a graduate textbook, named *Microeconomic Analysis*). The chapters relevant for 200A are 2-10, 12, 14-15, and 18-22.

## SYLLABUS

### 1. Introduction

### 2. Consumer choice

Consumption sets; budget sets; the budget equality  
The weak axiom of revealed preference and the law of compensated demand

### 3. Classical demand theory

Preferences; utility maximization; Walrasian demand; the indirect utility function  
Expenditure minimization; Hicksian demand; the expenditure function  
Integrability  
Evaluation of economic changes; the equivalent and compensating variations  
The strong axiom of revealed preference

### 4. Aggregate demand

Aggregate demand and aggregate wealth; indirect utility functions of the Gorman form  
Positive representative consumers  
Normative representative consumers: potential compensation criteria; social welfare functions

### 5. Production

The objectives of firms  
Technology, profits, costs  
Technology aggregation

### 6. Uncertainty

Expected utility theory; risk aversion  
Stochastic dominance  
Contingent commodities

## GRADING

8 Homework problem sets @ 1.5 points each	12 points
2 Midterms @ 24 points each	48 points
1 Comprehensive final examination	<u>40 points</u>
TOTAL	100 points

**Note on the Grading of Problem Sets**

You will obtain full credit for a problem set if you spend enough time and effort on it. There will be only three marks: “✓,” “I” and “✗,” with the following meaning.

- i) ✓ = 1.5 points: a considerable effort has been made in all problems with good overall results.
- ii) I = 1 point: substantial, but incomplete, progress
- iii) ✗ = 0 points: problem set not submitted or poorly developed

Accordingly, we expect everybody to obtain a “✓” in most or all problem sets. But note that a “✓” is not a green light accepting all your answers as 100% correct. It is your responsibility to check them against the answer key, and ask for help if you need clarification. No matter what grade you obtain in the homework, the failure to understand how a problem is approached and solved, or to answer similar questions in an exam, may have serious consequences.

Please check with us, in office hours, section, by e-mail or by making an appointment, if you get stuck or need extra help while working on the sets.

**CALENDAR**

TBA

*All exams will take place in the lecture classroom*