

MICROECONOMIC THEORY (III)

CLASS

Code: ECON 8001/ FIN 8020

Time: Fri 234 (Lecture)

Mon 34 (Discussion)

INSTRUCTORS

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Office: Research Building Room 205 / Room 417

COURSE DESCRIPTION

This course is composed of two parts. Each will be taught by one instructor. The first part covers some fundamental theories in microeconomics, i.e. the decision making of consumers and firms. The second part covers game theory. The goal of this course is to provide some basic tools for you to develop a formal treatment of these subjects and apply them to relevant issues.

TEXTBOOKS

1. *Microeconomic Theory*, by Mas-Colell, A., M. D. Whinston, and J. R. Green, Oxford University Press, 1995.
2. *Microeconomics Analysis*, by Varian, H. R., W. W. Norton & Company, 1992, 3rd edition.

GRADING

1. Exam (60%): An examination will be given at the end of each part.
2. Homework (40%): Each group (composed of 3-5 persons) hands in the assigned homework jointly.

COURSE OUTLINE

The First Half: 9/16 – 11/11

1. Consumer Theory (Mas-Colell, Ch. 2-4; Varian, Ch. 7-10)
 - Choice, preference, and utility
 - Demand
 - Consumers' surplus and aggregate demand
2. Production (Mas-Colell, Ch. 5; Varian, Ch. 1-5)
 - Technology
 - Profit maximization and cost minimization
 - Duality
3. Choice under Uncertainty (Mas-Colell, Ch. 6; Varian, Ch. 11)
 - Expected utility
 - Risk aversion
 - Stochastic dominance

***** MIDTERM : NOVEMBER 11 *****

Micro Theory 3 (2nd half)

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Office hour: Mon 1:45-2:15 or by appointment

Textbook: Microeconomic Theory, Mas-Colell, Whinston and Green

There will be homeworks and an exam.

Here is a list of topics that I plan to cover this semester.

1. 11/18 basics (ch. 7), dominant and dominated, BDM (ch. 8)
2. 11/25 iterated elimination, never best response, rationalizability, Nash, existence (ch. 8)
3. 12/2 Bayesian, auction (ch. 8)
4. 12/9 global games, long run equilibria, trembling hand, QRE (ch. 8)
5. 12/16 SPNE, backward induction, repeated game, bargaining (ch. 9)
6. 12/23 weak PBE, sequential equilibrium, forward induction, intuitive criterion (ch. 9)
7. 12/30 one shot deviation, folk theorem (Fudenberg and Tirole 4.2, Theorem 5.4)
8. 1/6 miscellaneous
9. 1/13 exam