Economics 601 Syllabus
Microeconomic Analysis I Fall 2010

Instructor: Harvey Lapan 283 Heady Hall (294-5917) hlapan@iastate.edu
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Classes: Lectures Monday and Friday, 9:00 am - 10:50 am 272 Heady Hall
Lab Friday, 3:10 pm – 5:00 pm 272 Heady Hall

Office hours: Lapan: Mon. and Wed., 11:00 am – 12:00 noon, Tues. 10-12:00 noon
Zhou: Monday and Wednesday, 3:00 – 5:00 pm

Web page: http://www.econ.iastate.edu/classes/econ601/lapan

Disability Statement

If you have a documented disability and anticipate needing accommodations in this course, please make arrangements to meet with me soon. Please request that a Disability Resources staff send a SAAR form verifying your disability and specifying the accommodation you will need.

Course description

This is the first of two required Ph.D. core theory courses in microeconomics. The objective is to introduce the students to the standard problems of microeconomics, and to develop concepts and skills useful for advanced analysis in all areas of economics. The course will emphasize single-agent optimization problems, including decisions under uncertainty, but will also provide an introduction to aggregation issues and partial equilibrium analysis.

Prerequisites

This course presumes knowledge of intermediate microeconomics, as well as basic mathematical skills suited for graduate work in economics (in particular, students should be proficient on the topics covered in the “Math Camp” offered in the first two weeks of August). The material covered in the first part of Economics 600 is also particularly useful for this course.

Homework

Problem sets will be assigned each week and posted on the course web page. You are expected to work through all of the problems and to turn in your answers to Xiaoqing Zhou’s mailbox by 4:30 pm on Thursday. You may work with other people on the problem sets but you must write up the
answers to the problem sets yourselves. Your problem sets will count for 10% of your grade. The problem sets will be discussed at the Friday discussion section, which you should attend.

**Grades:**
- 10% homework (problem sets and lab sessions)
- 50% 2 midterm exams -- (25% each) – dates to be determined
- 40% final exam -- finals week, date/time to be determined by University

**Required textbook**


**Recommended textbook**


**Other useful books**

Graduate microeconomics:

Mathematical economics:

**Note:** These books are available in “Reserve” in the main library.

**DETAILED OUTLINE AND SUGGESTED READINGS**

**Part 1: Consumer Theory**


- Jehle and Reny (2001), pp. 3-60.
**Duality.** Hyperplanes and halfspaces. Separating and supporting hyperplane theorems. Duality results for the expenditure function and the at-least-as-good set. Sufficient conditions for an expenditure function. Recovering the direct utility function from an expenditure function and from an indirect utility function.

Varian (1992), pp. 81-91 and pp. 129-131


**Part 2: Producer Theory**


Varian (1992), chapter 1 (pp. 1-20).


Mas-Colell, Whinston, and Green (1995), chapter 5 (pp. 135-139 and 149-152).
Varian (1992), chapter 3 (pp. 23-35 and 40-47).


*Varian (1992), chapter 3 (pp. 40-47).
Part 3: Partial Equilibrium


Varian (1992), chapter 14.

Part 4: Uncertainty and Risk Aversion


Mas-Colell, Whinston, and Green (1995), chapter 6 (pp. 167-194).

**Selected Applications.** A simple insurance model. A simple portfolio model. Comparative statics in the simple portfolio model: the effects of initial wealth and risk attitudes (decreasing absolute risk aversion; decreasing relative risk aversion). The theory of the firm under price uncertainty.* Quadratic, CARA, and CRRA utility functions. CARA utility and the linear mean-variance model.* Comparison of payoff distributions and stochastic dominance.*


Note: topics labeled with the * symbol will be covered explicitly if time allows.