

Microeconomic Theory
ECON5011A
CUHK
Fall 2018

Instructor: Jimmy Hing Chi Chan

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Lecture: Wed 3:30-6:15pm

Venue: Room G01, Hui Yeung Shing Building

Office Hour: Thurs: 10-11:30am or by appointment

Course Description: The course consists of four components: 1. Choice theory and classical consumer theory (lectures 1-4), 2 Choice under uncertainty (lectures 5-7), and 3 General Equilibrium Theory.

References:

1. *Lecture Notes in Microeconomic Theory* [R], 2006, Ariel Rubinstein, Princeton University Press (Free downloads from Rubinstein's webpage)
2. *Microeconomic Theory* [MWG], 1995, Mas- Colell, Whinston, and Green, Oxford University Press
3. *Microeconomic Foundations 1: Choice and Competitive Markets* [K], 2013, David Kreps, Princeton University Press

Course Requirement: There are six problem sets, a midterm and a final exam

Grading: class performance 10%, midterm 40% (lectures 1-6), and final 50% (cumulative but mostly about lectures 7-12)

Midterm and final: TBA

Course Outline

1. Choice, preferences, and utility (lectures 1-3 [R])

2. The consumer problem: convex preferences, Marshallian and Hicksian demand, Slutsky decomposition (Ch. 2 A-E, Ch. 3A-E [MWG], lecture 4 [R], Ch 3, 10 [K])
3. Revealed preferences and Afriat's theorem (Ch. 4 [K])
4. Duality and welfare analysis (Ch. 3.F, G, I [MGW], lecture 6 [R], Ch 10.6 [K])
5. Choice under uncertainty: the Independence Axiom, expected utility, and the Allais paradox (lecture 8 [R], Ch. 6 A-C [MWG], Ch. 5 [K])
6. Utility for money and risk aversion (lecture 9 [R], Ch. 6 [K])
7. Rabin's calibration theorem, reference point and loss aversion ([7], [8])
8. Normal form games, zero-sum games, min-max theorem, Nash equilibrium, and level-k thinking (Ch. 7, Ch. 8 A-D [MWG])
9. Extensive form games, backward induction, and subgame perfect Nash equilibrium (Ch. 9 [MWG])
10. Incomplete information and mechanism design (class notes)
11. General equilibrium (Ch. 15 [MWG])
12. First and Second Welfare Theorems, convergence to the core (Ch. 16 A-D, Ch 18 A,B [MWG])

References

References

- [1] Bernheim, Douglas and Antonio Rangel, 2008, Beyond Revealed Preference: Choice Theoretic Foundations for Behavioral Welfare Economics, NBER wp 13737 (lecture 1)
- [2] Echenique, Lee and Shum, 2012, Revealed Preference Tests Using Supermarket Data: The Money, Pump, Journal of Political Economy (lecture 3)
- [3] Fostel, Scarf and Todd, 2004, Two new proofs of Afriat's theorem, Economic Theory 24:211-219 (lecture 3)

- [4] Harbaugh, Karuse, and Berry, 2001, GARP for Kids, American Economic Review, vol 91:1539-1545 (lecture 3)
- [5] Jensen, Robert and Nolan Miller, 2008, Giffen Behavior and Subsistence Consumption, American Economic Review, September 2008 (lecture 2)
- [6] Koszegi and Rabin, Reference-Dependent Risk Attitudes, American Economic Review, September 2007 (lecture 7)
- [7] Rabin, Matthew, 2000, Risk aversion and expected-utility theory: A calibration theorem, Econometrica 68, pp. 1281-1292 (lecture 7)
- [8] Rabin and Thaler, 2001, "Risk Aversion," Journal of Economic Perspectives, pp.219-232. (lecture 7)
- [9] Salant, Yuval and Ariel Rubinstein, 2008, (A,f): Choice with Frames, Review of Economic Studies (lecture 1)
- [10] Shafir, Simonson and Tversky, 1993, Reason Based Choice, Cognition, Vol 49 (lecture 1)