

M.Sc. Economics

Code:	017.906 4	Type:	M.Sc. 2011-2013 1 st year, fall 2011
Title:	Microeconomics I		
Lecturer:	Leopold Sögner		
ECTS:	6	Contact hours (per semester):	25 à 120 min.
Semester:	Fall 2011	Frequency of the lecture:	Twice a week
Dates:	Mid of September 2011 until December 2011		
Prerequisites:	Knowledge of constrained optimization		

Learning objectives (What are the intended learning outcomes? Which skills will be acquired?):

The Micro I course covers key concepts of microeconomic theory. In this course students acquire a basic understanding of microeconomic concepts. In addition the students get familiar with the analytical tools used in microeconomics.

Content (Which professional competence and which contents will be imparted?):

Decision Theory and the Theory of the Consumer: MasColell, Chapters 1-3D

- Preference primitives and axioms, revealed preference theory.
- Existence of a utility function, transformation properties.
- The consumer's problem and constrained optimization, Walrasian demand.
- Expected time: 4 units

Indirect Utility, Expenditure Function and the Slutsky Equation: MasColell, Chapter 3E-3H

- Properties of Walrasian and Hicksian Demand.
- Expenditure Function and Indirect Utility.
- Duality, Slutsky equation, Roy's identity and Shephard's lemma.
- (Integrability)
- Expected time: 4 units

Aggregate Demand: MasColell, Chapter 4

- Aggregate demand and aggregate wealth.
- Aggregate demand and the weak axiom.
- Aggregate demand and representative consumers.
- Expected time: 2 units

Production: MasColell, Chapter 5

- Production possibility sets.
- Profit function, cost function.
- Aggregate supply.
- Expected time: 3 units

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Decisions under uncertainty: MasColell, Chapter 6 and Ritzberger, Chapter 2.

- Expected utility theorem, risk aversion,
- Subjective probability, state dependent utility, updating and Bayes rule
- Expected time: 6 units.

Partial Equilibrium and Competitive Markets: MasColell, Chapter 10 A-D, F

- Pareto optimality and competitive equilibrium.
- Partial equilibrium competitive analysis (two good quasilinear economy).
- Welfare Theorems.
- The competitive model.
- Expected time: 4-5 units

Externalities and Public Goods: MasColell Chapter 11 A,B,C,E

- Bilateral Externality.
- Public Goods.
- Second Best.
- Expected time: 1-2 units

Market Power: MasColell Chapter, Chapter 12 A,B,C,F

- Monopoly, Cournot model, Bertrand model.
- Competitive limit.
- Expected time: 1-2 units

Teaching approach (Description of the learning and teaching methods):

Lecture and group work

Workload (Optional: definition of workload (ECTS), divided in pre-modules (e.g. pre-readings), core-modules (contact hours), post-modules (e.g. case studies)):

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Language of instruction (Information on the language of teaching):

English

Obligatory literature (E.g. scripts, books, articles, cases, papers):

- Slides handed out in the course.
- Mas-Colell, A., Whinston, M.D., Green, J.R., Microeconomic Theory, Oxford University Press 1995. Chapters 1,2,3,4,5,6,10,11,12.
- Ritzberger, K., Foundations of Non-Cooperative Game Theory, Oxford University Press, 2002. Chapter 2.

Additional literature (E.g. books, articles, cases, papers):

- Gilboa, I., Theory of Decision under Uncertainty, Cambridge University Press, 2009.
- Gollier C., The Economics of Risk and Time, Mit Press, 2004. Chapters 1-4.

Mode of examination (Mode of the examinations and tests (e.g. oral or written examination, lecture, homework, papers, class participation):

There will be one problem set per week. The problems will be handed every practice session (as well as posted on the web) and are due the next session at the beginning of class. The graded problem sets will be returned in the practice session.

After consumer theory there will be a mid-term exam.

After the last session there will be a final exam.

Grading:

- The problem sets account for 20% of the course grade (5% for the written solutions + 15% for classroom participation). Exercises handed in after the deadline will be awarded half of the points without any exceptions.
- Each, the mid-term and the final exam, account for 40%.

Special features (E.g. excursion, guest speaker):

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Contact information:

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Course website:

<http://ihs.ac.at/~soegner/teaching/micro1.html> and <https://cecnet.tuwien.ac.at/>