This course offers a program of study in advanced analytical microeconomic theory emphasizing the theory of behavior of individual economic units such as households and firms. The course touches on several additional topics such as the theory of the interaction of firms in markets, the theory of general equilibrium and welfare economics. The intention of this course is to acquaint students with the basic principles of microeconomic theory at an advanced level and to introduce some recent developments in the field.

PREREQUISITES: Intermediate Microeconomics.

GRADING SYSTEM: Two midterm exams, 25% each; final exam 30%; problem sets, 20%.

NOTE: 1. There are no makeup exams.
       2. Final will be comprehensive and on **Tuesday, December 13 from 1:15 -3:15 pm**.
       3. The problem sets (given alternate weeks approximately) turned in late will not be counted. The problem sets are mandatory and an essential part of the course.

REQUIRED TEXT: You may purchase from the BGSU Bookstore or [http://www.amazon.com](http://www.amazon.com) or other online bookstores.


OPTIONAL TEXTS:


RECOMMENDED TEXTS:

2. For a review of mathematics, see
READING ASSIGNMENTS

I. Mathematical Review: Introduction and Methodology; optimization, Lagrangian, and the Envelope Theorem; Constrained Maximization; Comparative Statics

K, Appendix Intuitive explanation of optimization with multiple constraints
NS, Chapters 1-2 Good elementary introduction
V, Chapters 26-27 Concise and comprehensive reference
Chiang, Sections 5.5, 8.5, 8.6, 12.2, 12.3, 12.4
*PR, Chapters. 13, 15-18
*Dixit

II. Theory of the Consumer: Rationality and Choice; The Budget, Preferences and Utility Maximization; Theory of Demand; Income and Substitution; Revealed Preference; Consumer Surplus; Market Demand and Elasticity; Uncertainty; The Economics of Information

K, 2-4
NS, 3-7, 18
V, 7-9


K, 5-6
NS, 13, 19
V, 17-18, 21-24
*B. Salanie, Microeconomics of Market Failures, Chaps.1, 2, MIT, 2000.

IV. Theory of Firms: Theory of the Firm Production Functions; Cost Minimization; Profit Maximization and Behavior

K, 7
NS, 9-11
V, 1-6
*K, 19-20
V. Market Behavior of the Firms: Supply and Demand by Firms; Market Supply and Demand; Industrial Organization Monopoly; Oligopoly

K, 8-10
NS, 12, 14-17
V, 13-14, 16
* B. Salanie, Microeconomics of Market Failures, Chaps. 9-12, MIT, 2000.

VI. Introduction to Game Theory and Its Applications (Tentative, depending on the coverage)

K, 11-12, 16-17
V, 15, 25
NS, 8
* K, 13-15, 18

NOTES:

1. *: Optional.

2. The reading list is intended to complement the lectures and help with problem sets. Some of the readings are mathematically advanced; difficulties that may arise will be discussed during the lecture and during the problem sessions.

3. I strongly recommend that you form study groups with other people. In fact, one of the strongest reasons why we require problem sets is precisely the fact that you get to work on economics problems with other people, you discuss with them, and learn from the intuition of others. Nevertheless, we expect that you will write and turn in your own solution to the problem set. After you discuss with other people, you should make sure that you can write your own solution (no copying please).

"A man without the proper use of the intellectual faculties of man, is, if possible, more contemptible than even a coward, and seems to be mutilated and deformed in a still more essential part of the character of human nature."

A. Smith, Wealth of Nations, p. 740