

Microeconomic Theory I

FDPE Fall 2009

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Microeconomic Theory I focuses on individual choice behaviour and the analysis of competitive markets. The aim is to give a rigorous treatment of the main topics. The emphasis is on analytical techniques and modelling issues.

Required text:

“Microeconomic Theory” by Mas-Colell, Whinston and Green, Oxford University Press, 1995 (MWG).

This book covers most of the material of the lectures (and much more). The lecture plan below is more specific about the required parts of the book.

Additional readings:

“Notes on the theory of choice” by Kreps, Westview Press, 1988.

“The economics of risk and time” by Gollier, MIT Press, 2001.

“Theory of value” by Debreu, Yale University Press, 1959.

“Mathematics for Economists” by Simon and Blume, W.W. Norton&Company, 1994.

“Economics and Consumer Behaviour” by Deaton and Muellbauer, Cambridge University Press 1988.

These books (and many others) may be used as supplements for MWG in parts of the course.

I will post lecture notes on the course web-site as the course proceeds. These will give a good idea about the contents of each individual lecture, but they will not be self-contained: proofs for theorems, illustrations, further discussions, etc. will be done in the class. Some further readings are also pointed out in the lecture notes.

Below is a rough plan for the contents of the course:

Lecture plan:

A Demand and supply with exogenous prices (Lectures 1-4)

- Choice theory, preference relations, utility representation (MWG, Ch.1)
- Choice-based consumer theory (MWG, Ch. 2)
- Classical consumer theory (MWG, Ch. 3)
- Production (MWG, Ch. 5)

B Choice under uncertainty (Lectures 5-6)

- Expected utility theory (MWG 6.B)
- Risk attitudes, stochastic dominance, applications (MWG 6.C,D,E)
- Chapters 1-5 in the book by Gollier are very useful for this part of the course

C Market equilibrium (Lectures 7-8)

- Introduction in partial equilibrium context (MWG 10 A-E)
- General equilibrium (MWG 15, 16, 17 A-C)
- Fundamental welfare theorems (MWG 16)
- General equilibrium under uncertainty, asset markets (MWG Ch. 19)