

Collegio Carlo Alberto - Allievi Program

Economic Principles

Spring 2018

Dino Gerardi

Class Time: Thursday 8:30-10:30 a.m. and Friday 5:30-7:30 p.m.

Office Hours: by appointment (dino.gerardi@carloalberto.org)

Grades

The grades will be determined as follows: midterm 40%, final exam 60%.

There will be problem sets about once a week. The midterm will be on Friday, March 23rd.

Course Texts

Geoffrey Jehle and Philip Reny [JR]: *Advanced Microeconomic Theory*, 2nd edition, Addison Wesley Pub Co, 2001, ISBN 0321079167.

Nicholson W. and Snyder C.: *Microeconomic Theory (Basic Principles and Extensions)*, 10th edition, South Western Educational Publ., ISBN 0324421621

Jehle and Reny is more advanced than Nicholson and Snyder. The lectures will be at an intermediate level between the two books (but closer to Jehle and Reny).

Outline

The course will provide a rigorous survey of microeconomic theory. In the first half of the course we will examine the economic behavior of consumers and firms. The second half will be devoted to the study of selected topics: game theory, market failures, information economics and public choice theory.

I. Introduction.

II. Choice Under Certainty (5 lectures).

Preferences and Utility (JR 1.2); The Consumer's Problem (JR 1.3); Indirect Utility and Expenditure Functions (JR 1.4); Properties of Consumer Demand (JR 1.5); Revealed Preference (JR 2.3).

III. Choice Under Uncertainty (3 lectures).

Objective Probability and Expected Utility (JR 2.4); Subjective Probability (JR 2.4); Risk Aversion (JR 2.4).

IV. Theory of the Firm (2 lectures).

Production Functions (JR 3.2); Cost Functions (JR 3.3); Profit Maximization (JR 3.5).

V. Partial Equilibrium (1 lecture).

Perfect Competition (JR 4.1); Equilibrium and Welfare (JR 4.3).

VI. General Equilibrium (5 lectures).

The Edgeworth Box Exchange Economy (JR 5.1); Exchange Economies (JR 5.2); The Efficiency of Competitive Equilibria (JR 5.2.2); General Equilibrium with Production (JR 5.3); The Core (JR 5.4).

VII. Asymmetric Information and Market Failures (2 lectures).

Information Economics (JR 8); Externalities; Public Goods.

VIII. Game Theory and Imperfect Competition (2 lectures).

Monopoly; Game Theory: Static Games (JR 7.2); Game Theory: Dynamic Games (JR 7.3); Oligopoly (JR 4.2); Auctions (JR 9).