

Food and Resource Economics Department
University of Florida

AEB 7108 - Microeconomic Theory II
Spring 2018

Instructor: Zhifeng Gao
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Location and Class Hours:

Tuesday: 3:00 - 3:50 pm MAEB 0229
4:05 - 4:55 pm MAEB 0229
Thursday: 4:05 - 4:55 pm MAEB 0229

Office Hours: Tuesday and Thursday, 2:00-3:00 pm, or by appointment

Course Description:

This is the second course in a sequence of graduate microeconomic theory. This course will focus on the advanced topics in microeconomic theory in the light of contemporary thought. Attention will be given to general equilibrium theory and applications, welfare economics and economics of choice under uncertainty.

Objective:

By taking this class students should be able to

1. Understand the basic concepts in general equilibrium analysis, welfare economic and economics of choice under uncertainty.
2. Apply the theory, and set up models for economic problems to conduct comparative static analysis.
3. Interpret the results from various economic models.

Prerequisites:

Knowledge of graduate microeconomics theory I (ECO 7115) is required. Abilities of using techniques of mathematical optimization and the method of comparative statics are required.

Homework and Grading:

Number of homework will be assigned across the whole semester. All assignments are due at the beginning of class on the due date. There will be two exams: one midterm and one final.

The weight for homework and exams are:

Homework	20%
Midterm Exam	30%
Presentation	10%
Final Exam	40% (not comprehensive)

No extra credit works are available.

The grade is based on the weighted average of homework and exams.

The university requires all members of its community to be honest in all endeavors. A fundamental principle is that the whole process of learning and the pursuit of knowledge is diminished by cheating, plagiarism and other acts of academic dishonesty. In addition, every dishonest act in the academic environment affects other students adversely, from the skewing of the grading curve to giving unfair advantage for honors or for professional or graduate school admission. Therefore, the university will take severe action against dishonest students. Similarly, measures will be taken against faculty, staff and administrators who practice dishonest or demeaning behavior.

Student Responsibility. Students should report any condition that facilitates dishonesty to the instructor, department chair, college dean or Student Honor Court.

(Source: 2009-2010 Undergraduate Catalog)

It is assumed all work will be completed independently unless the assignment is defined as a group project, in writing by the instructor.

This policy will be vigorously upheld at all times in this course

Software Use: All faculty, staff, and students of the University are required and expected to obey the laws and legal agreements governing software use. Failure to do so can lead to monetary damages and/or criminal penalties for the individual violator. Because such violations are against University policies and rules, disciplinary action will be taken as appropriate.

UF Counseling Services: Resources are available on campus for students having personal problems or lacking clear career and academic goals which interfere with their academic performance. These resources include:

1) University Counseling Center, 301 Peabody Hall, 392-1575, personal and career counseling, www.counsel.ufl.edu

2) Student Mental Health Service, 245 Student Health Center, 392-1171, personal counseling, www.shcc.ufl.edu/smhs/

3) Sexual Assault Recovery Services (SARS), Student Health Care Center, 392-1161, sexual assault counseling;

4) Career Resource Center, CR-100 Reitz Union, 392-1601, career development assistance and counseling, www.crc.ufl.edu

Students with Disabilities: Students requesting classroom accommodation must first register with the Dean of Students Office (Students with Disabilities Office, Peabody 202 at 392-1261). The Dean of Students Office will provide documentation to the student who must then provide this documentation to the course instructor when requesting accommodation. Further information is available from the Disability Resource Center at <http://www.dso.ufl.edu/drc/>.

Tentative Course Outline

You are expected to read those chapters/papers with asterisks. You are also responsible for material in handouts that will be distributed in class. Some supplemental papers and provided for each topic. Additional reference can be found at the end of each chapter in Silberberg and Suen. Students may read unassigned chapters/papers at their discretion.

(1) General Equilibrium and Welfare Economics

General Equilibrium

General Equilibrium Methodology

Linear and Non-linear Models

Fixed-Coefficient Technology

The Linear Activity-Analysis Model

Risk Bearing, Demand for Insurance, and Moral Hazard

Risk Shedding and Risk Pooling
Risk-Bearing, Demand for Protection and Insurance
Insurance and Moral Hazard

Readings:

*Ehrlich, I and G. S. Becker, "Market Insurance, Self-Insurance, and Self-Protection", Journal of Political Economy, 82 (1972):623-648.

*Chang, Y.M. and I. Ehrlich, "Insurance, Protection from Risk and Risk-Bearing", Canadian Journal of Economics (August 1985): 574-586.

Pauly, M.V., "Overinsurance and the Public Provision of Insurance: The Role of Moral Hazard and Adverse Selection", Quarterly Journal of Economics, 88 (1974):44-54.

Löffler, Andreas. "Variance Aversion Implies $\mu - \sigma^2 - Criterion$." Journal of Economic Theory. 69 (1996):532-39.

Theories of Production Decisions under Uncertainty

Comparative Statics of the Risk-Bearing Optimum
Theory of the Competitive Firm under Uncertainty
Production Uncertainty

Readings:

*Sandmo, A., "On the Theory of the Competitive Firm under Price Uncertainty", American Economic Review, (March 1971):65-71.

Batra, R. and A. Ullah, "Competitive Firm and the Theory of Input Demand under Uncertainty", Journal of Political Economy, (June 1974):537-548.

*Schmitz, A., H. Shalit and S. J. Turnovsky, "Producer Welfare and the Preference for Price Stability", American Journal of Agricultural Economics, (1981):158-160.

Important Dates

Classes Begin	January 8th
Classes End	April 25
Drop/Add (11:59 pm of last day)	January 8-12
Withdrawal with no Fee Liability (11:59 pm of last day)	January 12
Reading Day	April 26-27
Final Grades available	May 3
Holidays - no classes	January 15:Martin Luther King Jr. Day March 3- March 10: Spring Break
Tentative dates	
Exam1	February 28
Exam2	In Class, TBD
Project Presentation (in class)	In Class, TBD