Department of Economics
STATE UNIVERSITY OF NEW YORK AT BUFFALO
Economics 665   **Professor Alex Anas**
Microeconomic Theory I   **Office: 405 Fronczak**
Fall Semester 2014; M, W 9:30-10:50 AM, Fronczak 424   **Office hours: By e-mail appointment**
e-mail: *alexanas@buffalo.edu*

CONTENT

This is the first graduate course in microeconomic theory. The course covers the theory of the competitive firm, the theory of the consumer, competitive markets in partial and general equilibrium and welfare analysis, the basic models of imperfect competition (monopoly models with and without price discrimination, oligopoly, monopolistic competition with homogeneous and differentiated products), and Nash equilibrium. The course emphasizes mathematical rigor as well as economic content and the development of economic intuition. The text will be followed closely and the exercises at the ends of the covered chapters and the problem sets assigned by the professor as well as selected exams given in prior years are necessary work. By the end of the course, students will be expected to have developed an ability to forge ahead into advanced topics in microeconomic theory and to read and understand relevant journal articles. The course prepares the economics graduate student for Economics 666 (Spring) and for about one third to a half of the Preliminary Examination in Microeconomics, as well as for the 700 level field courses.

MAIN TEXT (Required)

Hal R. Varian, *Microeconomic Analysis*, 3rd Edition or later, W.W. Norton and Company, New York, 1992. ISBN 0-393-95735-7. **This text corresponds to class lectures. See "TOPICS" below**.

SUPPLEMENTARY TEXTS (One is recommended for each student)

Hal R. Varian, *Intermediate Microeconomics : A Modern Approach*, 4th Edition, W.W. Norton and Company, New York, 1996. ISBN 0-393-96842-1. **For students who need a less mathematical exposition to supplement the main text and those who wish to refer to or recall intermediate microeconomics, while learning the more advanced equivalent covered in this course. Recommended as a supplementary text for students enrolled in the School of Management or other non-economics majors taking the course.**

Andreu Mas-Collel, Michael D. Whinston and Jerry R. Green, *Microeconomic Theory*, Oxford University Press, 1995. ISBN 0-19-507340-1 (cloth); ISBN 0-19-510268-1 (paper). **For students who prefer or need an even more rigorous mathematical approach to supplement the main text.**

TOPICS (Follow chapters in Varian, the required text)

1. Theory of the Competitive Firm
     1.1 Technology and basic concepts (Chapter 1)
     1.2 Profit maximization and the profit function (Chapters 2, 3)

1.3 Cost minimization and the cost function (Chapters 4 and 5)
1.4 Duality Theory (Chapters 6)

2. Theory of the Consumer
  2.1 Utility maximization and the utility function (Chapter 7)
  2.2 Choice analysis and the demand function (Chapters 8 and 9)
  2.3 Consumer welfare analysis (Chapter 10)

3. Competitive Markets and Welfare Analysis
  3.1 Competitive markets (Chapter 13)
  3.2 Exchange economies and the welfare theorems (Chapters 17, 18)
  3.3 General equilibrium and the core (Chapter 21)
  3.4 Welfare Analysis and related topics (Chapter 22)

4. Imperfectly Competitive Markets
  4.1 Monopoly and price discrimination models (Chapter 14)
  4.2 Oligopolistic and monopolistic competition & Nash equilibrium (Chapter 16)

GRADING

There will be three in-class midterm exams and a final exam. The three midterms will be given 45% weight (15% each) and the final 55 %. The first midterm will be given after topic 1, the second after topic 2 and the third after topic 3. The final exam (3 hours) will cover all four topics.

PRACTICE

There will be problem sets (and their detailed answers) as well as exams given in prior years that will be made available. These are problems not in the textbook but they are representative of problems on the midterm, the final and in the microeconomics prelim. Students are expected to work on these thoroughly but they will not be collected or graded. Some of these problems and their answers could be discussed in the classroom. The problems in the textbook are also good practice