

Economics I

1. Objectives

The goal of this course is to develop your economic intuition and to aid you in analyzing managerial decisions from an economic point of view. The tools that you will learn in this course will be useful for courses in industrial organization, finance, marketing, accounting and strategy that you may take at later stages in your Ph.D.

Knowledge of economics is not a prerequisite of this class. You should, however, have acquired good mathematical skills in topics such as calculus and optimization before taking this course.

2. Contents

The course covers: Consumer Theory (Sessions 1-4), Choice under Uncertainty (Session 5), Producer Theory (Sessions 6-7), Equilibrium (Sessions 8-9), Departures from Competitive Markets (Sessions 11-12), Game Theory (Session 13-15) and Imperfect Information (Sessions 16-17). In addition, we will cover two topics which are related to current events.

Teaching will be done with a combination of blackboard and class discussion. The primary textbook will be Varian, Hal R. *Microeconomic Analysis* (VAR2), although the reading lists includes additional readings. A great supplement for economic intuition is Varian's *Intermediate Microeconomics*, but it is not sufficiently technical for our purposes. Required readings are marked with an asterisk (*).

Required Readings:

- (VAR1) Varian, Hal R. *Intermediate Microeconomics: A Modern Approach*, W.W. Norton, New York, 2003, 6th edition. *(This book is on reserve in the library. No xerox copies of the required chapters will be handed out).*
- (VAR2) Varian, Hal R. *Microeconomic Analysis*, W.W. Norton, New York, 1992, 3rd edition *(This book is on reserve in the library. No xerox copies of the required chapters will be handed out).*
- (MEU) Machina, Mark J. "Expected Utility Hypothesis" in *The New Palgrave Dictionary of Economics*, 2nd edition, 2008, ed. by Steven N. Durlauf and Lawrence E. Blume.
- (BDW) Bolton, Patrick and Mathias Dewatripont. *Contract Theory*, MIT Press, 2005, pp. 1-24.
- (TIR) Tirole, Jean. *The Theory of Industrial Organization*, MIT Press, 2003, pp. 218-224.

Optional readings:

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- (FAR) Farber, Henry S. *Why You Can't Find a Taxi in the Rain and Other Labor Supply Lessons from Cab Drivers*. No. w20604. National Bureau of Economic Research, 2014.
- (HLZ) Hausman, Jerry, Gregory Leonard, and J. Douglas Zona. *Competitive Analysis with Differentiated Products*. *Annales D'Économie Et De Statistique* 34 (1994): 159-80.
- (GIL) Gilboa, Itzhak. *Rational choice*, MIT Press, 2010.
- (LAM) Laffont, Jean-Jacques and David Martimort. *The theory of incentives: the principal-agent model*, Princeton University Press, 2002.

3. Methodology

Classes will consist of lectures. You are, however, expected to actively participate in each class.

A list of readings in addition to those listed in the outline will be made available as the course progresses. Some of these readings are compulsory and will have a due date by which you are expected to have read them.

4. Grading

The final grade will be constructed from a final exam (60%) and a midterm (40%). Problem sets are for your own practice. You are encouraged to discuss them with your colleagues. You should, however, work on them by yourself, as this is the best practice for the final exam.

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5. Outline

Required and optional readings by session
Required readings are marked with an asterisk ()*

#	SESSION TITLE	READINGS
1	Introduction / Consumer Theory	*VAR1_Ch1, FAR
2	Consumer Theory (I)	*VAR2_Ch7, *VAR2_Ch8, VAR1_Ch3, VAR1_Ch4, VAR1_Ch5, GIL_Ch2
3	Consumer Theory (II)	*VAR2_Ch8, *VAR2_Ch9, VAR1_Ch6, GIL_Ch3
4	Consumer Theory (III)	*VAR2_CH10, HLZ, VAR1_CH14
5	Choice under Uncertainty	*MEU, *VAR2_Ch11
6	Producer Theory (I)	*VAR2_Ch1, *VAR2_Ch2
7	Producer Theory (II)	*VAR2_Ch3, *VAR2_Ch4, *VAR2_Ch5
8	Price-Taking Equilibrium (I)	*VAR2_Ch13
9	Price-Taking Equilibrium (II)	*VAR2_Ch17, GIL_CH8
10	Mid-term	
11	Monopoly	*VAR2_Ch14
12	Externalities	*VAR2_Ch24
13	Game Theory (I)	*VAR2_Ch15, *TIR
14	Game Theory (II)	TBD
15	Game Theory (III)	TBD
16	Informational Asymmetries and Adverse Selection	*BDW, *VAR2_Ch25, VAR_Ch36, LAM_CH2
17	Moral Hazard	*VAR2_25, LAM_Ch4
18	Review for the Exam	
19	Final Exam	
20	Final Exam	

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