ECO 7938: Topics in Microeconomics

Instructor: Steven Slutsky
      Office: Matherly Hall 338
      Phone: 352-392-8106
      Office Hours: Wednesday, 4:00 – 5:00 pm
      E-mail: slutsky@ufl.edu

Class Location: Matherly Hall 14
Class Meeting Time: Monday and Wednesday, 1:55 to 3:50 pm

Course Prerequisites: Appropriate mathematical background including differential calculus and some linear algebra and Eco 7115 as a corequisite

Course Textbook (required): Mas-Colell, Whinston, and Green. *Microeconomic Theory*(MWG)

Course Description: This course introduces uncertainty into basic microeconomic analysis. Expected utility theory is introduced as a basic way of describing consumer preferences when there is uncertainty. In that framework, measures of risk aversion and certainty equivalence are described. Then, stochastic dominance is introduced as a way to measure increases in risk. These general measures are then combined with optimization theory to consider how risk affects consumer behavior. The module concludes with some introductory analysis of incorporating uncertainty into market equilibrium analysis.

Course Objectives: Students who successfully complete this course will be able to engage with modern literature in many areas of economics which heavily incorporate aspects of uncertainty.

Class Modality: This is a half-semester module which meets from October 17 through December 16. It is a fully in person course. There will be a final exam which may be a take home exam or may be scheduled at a convenient time in person.

Grading: The grade is largely based the final exam. Given variability in difficulty of problem questions there will be a grading curve which typically has led to an average grade on the exams of around 3.33. There are also problem sets throughout the module, which are mostly a learning experience. However, a student on the margin between two grades will receive the higher grade with a good performance on the problem sets and the lower grade with a poor performance. Unless otherwise told, you are allowed to work with your classmates while completing these problem sets. Working together can facilitate deeper learning of the material. You must, however, turn in your own work. Submitting a classmates' work as your own is a violation of the UF Student Honor Code.

Professionalism and Honor Code: Students are bound to not cheat or plagiarize, and are bound by The Honor Pledge which states, "We, the members of the University of Florida community, pledge to hold ourselves and our peers to the highest standards of honor and integrity by abiding by the Honor Code.   On all work submitted for credit by students at the University of Florida, the following pledge is either required or implied: 'On my honor, I have neither given nor received unauthorized aid in doing this assignment.'"

You should familiarize yourself with the UF Student Honor Code. Cheating and plagiarism are not the only violations of this policy. Importantly, ignorance of a policy is not a valid reason for violating it.

Students Requiring Accommodations: Students with disabilities requesting accommodations should first register with the Disabilities Resource Center (392-8565; https://disability.ufl.edu/), providing appropriate documentation. Once registered, students will receive an accommodation letter that can be presented to the instructor when requesting accommodations. Please register at the beginning of the course if seeking accommodations.

Course Evaluation: Students are expected to provide professional and respectful feedback on the quality of instruction in this course by completing course evaluations online via GatorEvals. Students will be notified when the evaluation period opens.

UF Teaching Center: The UF Teaching Center offers guidance on study skills and tutoring services. You can find more information at: https://umatter.ufl.edu/office/teaching-center/.

Health Counseling and Emergencies:

U Matter, We Care:
If you or a friend is in distress, please contact umatter@ufl.edu or 352 392-1575 so that a team member can reach out to the student.

Counseling and Wellness Center: http://www.counseling.ufl.edu/cwc, and 392-1575; and the University Police Department: 392-1111 or 9-1-1 for emergencies.

Sexual Assault Recovery Services (SARS)
Student Health Care Center, 392-1161.

University Police Department at 392-1111 (or 9-1-1 for emergencies), or http://www.police.ufl.edu/.

Course Topics

(I) Preferences under uncertainty

    (A)   Expected Utility Theory

            Luce and Raiffa – Chapter 2

            MWG – Chapters 6B, 6E, 6F

    (B)   Risk Aversion

            Pratt, "Risk Aversion in the Small and in the Large" Econometrica, 1964, pp. 122-136

            MWG – Chapter 6C

    (C)   Certainty Equivalence

            Possen and Slutsky, "Multiperiod Risk Independence, Certainty Equivalence, and Some Empirical Puzzles in Consumption Theory"

(II) Measuring Risk

        Hadar and Russell, "Rules for Ordering Uncertain Prospects," AER, 1969, pp. 25-34

        Rothschild and Stiglitz, "Increasing Risk I: A Definition," JET, 1970, pp. 225-243

        MWG – Chapter 6D

(III) Comparative Statics Under Uncertainty

        Sandmo "The Effect of Uncertainty on Saving Decisions," REStud, 1970, pp. 353-360

        Sandmo, "On the Theory of the Competitive Firm Under Price Uncertainty," AER, 1971, pp. 65-73

(IV) Lotteries, Insurance, and Occupational Choice

        Bergstrom, "Soldiers of Fortune," Essays in Honor of K. J. Arrow, 1986, pp. 57-80

(V) Search Models

        Stigler, "The Economics of Information," JPE, 1961, pp. 213-215

Rothschild, "Models of Market Organization with Imperfect Information: A Survey," JPE, 1973, pp. 1283-1308

Rothschild, "Searching for the Lowest Price When the Distribution of Prices is Unknown," JPE, 1974, pp. 689-711

Diamond, "A Model of Price Adjustment," JET, 1971, pp. 156-168

Salop and Stiglitz, "Bargains and Ripoffs: A Model of Monopolistically Competitive Price Dispersion," REStud, 1977, pp. 493-510

Golding and Slutsky, "Price Dispersion in a Simultaneous Move Salop-Stiglitz Search Model Without Rationing," Advances in Applied Microeconomics: Oligopoly, 1999, pp. 223-248