Econ 7010: Microeconomic Theory
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Fall 1993

Course Description: The course presents the basics of modern micro theory: production theory and consumer theory. Time permitting, market models, general equilibrium theory and welfare economics will be introduced. What we will cover are the basics of these theories: for each, numerous generalizations exist. If you complain too loudly about the unrealistic assumptions in the theories presented, I will coerce you into exploring those generalizations.

The emphasis will be on model building and deduction. I won’t be teaching you how the economy really works, I do not know. Rather, we will investigate the process of building theories to explain the behavior of firms and consumers, exploring how the hypotheses of a theory can be deduced from its assumptions.

Things will often be quite abstract. I will present examples and assign some applied readings, but theory will be the main course. Your field courses will be where you study more in-depth applications of the theory. For some of you, modern micro theory will appear quite alien, and different from what you expected to learn. Be assured that the economic problems you have studied in the past are the same ones that concern us here, only the tools differ. We introduce more abstract tools, not to confuse, which they initially will, but so that we can free ourselves of restrictive assumptions and investigate problems more generally. You will find that a little bit of abstract theory can go a long way in understanding the real world.

Prerequisites: If you have any doubts about whether you should be in this course, talk to me asap. I assume you have all successfully completed the just completed math review course.

Class format: Lecture/problem solving/discussion

Much of our class time will be devoted to lectures, but you will spend some class time interactively formulating and solving problems, and building models. Small groups will be utilized both in and out of class.

Assignments and Exams: There will be problem sets, projects and quizzes. Your grades on your best N-1 of these activities will constitute 40% of your course grade. 5 ≤ N ≤ 10. Doing these assignments, and reviewing your performances on these assignments, is an integral part of the learning process. Given the number of assignments, and the need for timely feedback, late assignments and makeup assignments will not be accepted.

In addition to these assignments, there will be a midterm (20%) and a cumulative final (40%). If your grade on the final is better than your grade on the midterm, your grade on the final will constitute 50% of your course grade, and the midterm 10%.

I will hand out review question for each section of the course. These review questions will often appear, sometimes disguised, as exam questions and assignments. Practice and review should make the disguises transparent.

In class I will ask many questions. I also expect you to ask questions. In addition to these question, I will often give you the opportunity to earn, or lose, points by verbally answering specific questions. Participation in this latter activity is completely voluntary.

Group Assignments: Some of the assignments will be done in groups. I will tell you in advance if an assignment is a group endeavor. Groups will consist of three people (you choose your own group). The group will work together and just turn in one assignment. Everyone in the group will get the same grade for that
assignment. Group activities are one of my ways of giving you an incentive to work and study together.

Office Hours: My office hours will on Tuesdays from 4:45 - 6:00, Thursdays from 11:00 to 12:15 and by appointment. My office is Econ 122. Please feel free to call my office (492-6898) to leave a message. Sometimes, it will take a day or so for me to get back to you. Leave a number where you can be reached, and good times to call.

Texts and workbooks:


As the title suggests, Intermediate Microeconomics presents modern micro theory at an intermediate level. It is the text used in many undergraduate intermediate micro courses, including mine. Intermediate Microeconomics will provide review and background without sacrificing rigor. It is designed to accompany Microeconomic Analysis; for example, most chapter titles are the same in both books. Intermediate Microeconomics will provide intuition and the basics of modern micro theory, but without all of the details. When I wanted to start learning about game theory, I began by reading chapter 27 in Intermediate Microeconomics; I then went on to chapter 15 in Microeconomic Analysis.

Bergstrom, Ted and Hal Varian, Workouts in Intermediate Microeconomics. This is the workbook that accompanies Intermediate Microeconomics. Workouts in Intermediate Microeconomics will provide you with wonderful word problems; problems that will require you to apply your theoretical skills. I will specifically assign problems from this workbook, but even when I do not, spend some time working on these problems.


This is your main text. The majority of your assignments and exams will come from the material in my lectures and the material in Microeconomics Analysis: A Modern Approach. The material is deemed modern because it presents both the traditional neoclassical approach, which emphasizes marginal analysis and calculus, and the more recent, and more general, set-theoretic approach to economic theory. You will often find Microeconomic Analysis slow going. It needs to be read carefully with pencil and paper in hand.

In addition to the above texts, there will be a few additional reading. Most of these will applications of the theory you are learning. These readings are intended to show you how theory can be applied, and to prove that what you are learning is, in fact, related to what happens in the real world. I will make three copies of each article available to the class.

Next semester in Econ 7030, Mark Cronshaw will use Microeconomic Analysis and another excellent text, A Course in Microeconomic Theory by David Kreps. If you are not satiated by Microeconomic Analysis, purchase A Course in Microeconomic Theory now and use it to more fully satisfy your desire for microeconomic theory.
Reference material on the Math and Logic we will use in the course:

Consider the following reference materials that you should refer to as needed. Knowledge of the material in these references will help you with notation, the mathematics of constrained optimization, convexity, and the logic of proofs. I will make available three copies of each.

1. My notes on Minimization, Maximization and Curvature Properties. These notes include what you need to know about constrained optimization, convex sets, and curvature properties such as convexity, concavity, quasiconcavity, strict quasiconcavity, etc.

2. Chapter 26: Mathematics and Chapter 27 Optimization in Microeconomic Analysis. Everything you ever wanted to know about mathematics in 31 pages, with not many examples.

3. Clark, Logic (appendix one) in The Theoretical Side of Calculus. This appendix on logic introduces the reader to the language and notation of logic. Topics discussed are: the logical connectives and or and not; quantifying phrases such as there exists and for all; what is a proof; and sets and functions.

Preliminary Outline: At a minimum, we will cover the following topics: economics as a social science, theories of the firm, and theories of the consumer. If time permits, I will introduce general equilibrium theory and basic welfare economics.

Microeconomic Theory I: Preliminary Outline

I. Economics as a Social Science
   A. Varian’s texts do not contain much on methodology and the scientific method. Most of what you need to know will be in my lectures. In addition, I recommend:
      2. A classic, and opinionated, piece that you might want to read is Friedman, The Methodology of Positive Economics in Essays in Positive Economics, 1953.
      3. The individual who wants more is referred to the suggested readings in the above Introduction to Economic Science

II. Theories of the Firm

III. Theories of the Consumer