

AEB 6108 Microeconomic Theory II

Spring Semester, 2007

Course Syllabus

Required Text and Reading Materials:

Materials from the following texts may be checked out for your personal use from Melanie Carter located in 1104 McCarty Hall.

Shephard, R.W. *Theory of Cost and Production Functions*. Princeton: Princeton University Press, 1970.

Cornes, R. *Duality and Modern Economics*. Cambridge: Cambridge University Press, 1992.

Deaton, A and J. Muellbauer. *Economics and Consumer Behavior*. Cambridge: Cambridge University Press, 1984.

Other course readings are available for download from the course website: www.agbuscenter.ifas.ufl.edu/aeb6108.

Course Content: The focus of this course is on advanced microeconomic theory and its empirical application. Primary attention will be on the theory of the individual consumer and firm and its translation into empirical systems demand and supply systems. Using dual theory the properties of alternative representations of consumer and producer behavior are explored. In addition to exploring traditional econometric analysis, index number theory will also be discussed.

Learning Objectives: This is a course is about theory and its use in empirical analysis. Students will understand why various theoretical representations of the consumer and producers possess certain mathematical properties and how to properly incorporate these properties in empirical models. Attention will also be given to the appropriate use of various theoretical assumptions in translating the theory of individual behavior into aggregate analysis.

Format: The class will be primarily taught using a mix of the traditional lecture format and active learning through class discussion. Students should expect to be called upon to answer questions and to actively participate in class discussions

Class Website: A class website is maintained to provide access to online articles and provide class information. The address is: www.agbuscenter.ifas.ufl.edu/aeb6108.

Homework Assignments and Exams: Bi-weekly summaries of material covered in class as well as assigned reading will form the basis of homework assignments. These assignments are intended to provide incentives to student to remain current with course material and provide the ability of the instructor to monitor student progress. There will be two exams given using the semester. The first will be given approximately mid-way through the semester and the last during the last week of classes.

Grading System: This course uses a non-traditional grading system. The system is as follows. Each student begins the semester with an assigned grade of B. This grade will be maintained as

long as all homework assignments are completed as assigned and evidence of learned effort is clear. After the mid-term examination, student will schedule a one-hour session with the instructor to discuss their exam as well as their progress in the course. At this time the student's grade will be adjusted to reflect their class performance to date. A similar process will follow the final exam at which time the student and instructor will jointly agree upon a final semester grade.

Tentative Course Outline

I. The Theory of Production

A. Theoretical Representations of Producer Behavior

1. Production Technology Defined
2. Cost and Distance Functions
3. Profit Functions
4. Multi-Product Extensions

B. From Theory to Empirical Analysis

1. The Notion of Flexibility in Functional Forms
2. Functional Forms and Theoretical Restrictions
3. Empirical Potpourri

II. The Theory of Consumer Behavior

A. Theoretical Representations of Consumer Behavior

1. Direct and Indirect Utility Functions
2. Expenditure and Distance Functions
3. Separability and Functional Structure

B. Empirical Analysis of Consumer Demand

1. "Traditional" Demand Systems
2. Differential Demand Systems
3. Empirical Potpourri

C. Index Numbers: Theory and Practice

1. The "True Cost-of-Living" Index
2. Exact and Superlative Indexes
3. Index Numbers and Productivity Growth
4. The Consumer Price Index