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CCA

## Allievi Program

Economic Principles

Spring 2022

Instructor: Brett McCully

### Contact Information

Collegio Carlo Alberto

Office: 107

Office Hours: Drop by or send an email to set up an appointment.

Email: [brett.mccully@carloalberto.org](mailto:brett.mccully@carloalberto.org)

### Objective of the course

The course will provide a rigorous survey of microeconomic theory. In the first half of the course we will examine the economic behavior of consumers and firms. In the second half we will look at the interactions between consumers and producers in markets, as well as selected topics in game theory.

### Course Materials and Texts

- Geoffrey Jehle and Philip Reny [JR]: Advanced Microeconomic Theory, 3rd edition
- Nicholson W. and Snyder C. [NS]: Microeconomic Theory (Basic Principles and Extensions), 11th edition

Jehle & Reny are more advanced than Snyder & Nicholson, and lectures will be at an intermediate level between these sets of books. If needed, I will distribute additional class notes.

### Requirements and Grading

There will be two examinations during the semester: an in-class midterm and in-class final. These exams will emphasize problem-solving ability. The final examination primarily will contain material covered after the midterm. The grades will be determined as follows: midterm 40 percent, final exam 60 percent. There will be problem sets about once a week. The midterm will likely be on the week of March 2. The final exam will only cover the material from the midterm. Both the midterm and the final will be 90 minutes.

### Tentative Course Schedule

1. Consumers [6 lectures]
  - a. Foundations of demand: utility, consumer choice
  - b. Policy: Income and substitution effects, consumer surplus

- c. Endowments: Labor supply and intertemporal choice
  - d. Risk aversion: expected utility, insurance, and portfolio choice
- 2. Producers [4 lectures]
  - a. Production choices: technology, cost curves
  - b. Competition: profit maximization, supply
- 3. Markets [5 lectures]
  - a. Equilibrium: supply and demand
  - b. Efficiency: welfare, taxes
  - c. Market power: monopoly problem, price discrimination
  - d. Market failure: public goods, externalities
- 4. Strategy [5 lectures]
  - a. Perfect information: dominant strategies, Nash equilibrium
  - b. Dynamics: subgame perfect Nash equilibrium
  - c. Imperfect information: Bayesian Nash equilibrium, perfect Bayesian equilibrium