

University College London
Department of Economics

Intermediate Microeconomics: Microeconomics of the Household (ECON0014)

Please note this is Part 2 of the full year course Microeconomics (ECON0013).

Aims: This course is designed to provide students with a rigorous grounding in the core concepts and methods of microeconomics. At the end of the course, a student should:

- Understand microeconomic theory at a level appropriate for an economics graduate.
- Understand how to analyze these models using the relevant techniques.
- Be able to address economic phenomena using these techniques.

Texts: The main text is: Microeconomics: Principles and Analysis [F. Cowell, OUP 2006]. This can be supplemented with the easier books: Microeconomic Theory: Basic Principles and Extensions [Nicholson, South-Western 2005] and Intermediate Microeconomics [Varian, Norton 2003]. A more advanced book for an ambitious student is: Microeconomics [Gravelle and Rees, Pearson 2004].

Typical Assessment:

60% Take Home Examination

40% Multiple Choice Question (MCQ) Test

Course Outline:

Term 2:

I.1 Budget Constraints and Consumer Demand

- I.1.1 Linear budget constraints
- I.1.2 Nonlinear budget constraints
- I.1.3 Total budget effects
- I.1.4 Price effects
- I.1.5 Adding up
- I.1.6 Homogeneity

I.2 Revealed Preference and the Law of Demand

- I.2.1 Direct revealed preference and WARP
- I.2.2 Indirect revealed preference and SARP
- I.2.3 Slutsky compensation and the law of demand
- I.2.4 Negativity in general
- I.2.5 Slutsky equation

I.3 Consumer Preferences

- I.3.1 Preference relations
- I.3.2 Consumer rationality
- I.3.3 Continuity and utility
- I.3.4 Nonsatiation and indifference curves
- I.3.5 Convexity and diminishing MRS
- I.3.6 Homotheticity and quasilinearity
- I.3.7 Examples

I.4 Consumer Choice

- I.4.1 Consumer choice
- I.4.2 Income expansion paths
- I.4.3 Expenditure minimisation
- I.4.4 Expenditure function and indirect utility function
- I.4.5 Shephard's lemma, Roy's identity and the Slutsky equation
- I.4.6 Integrability

I.5 Consumer Welfare

- I.5.1 Consumer surplus
- I.5.2 Cost of living indices

I.5.3 Laspeyres and Paasche indices

I.6 Labour Supply and Demand with Endowments

I.6.1 Endowments

I.6.2 Price and income effects

I.6.3 Labour supply

I.7 Saving and Borrowing

I.7.1 Intertemporal choice

I.7.2 Consumption Euler equation

I.7.3 Asset choice

I.8 Choice under Uncertainty

I.8.1 Budget constraints under uncertainty

I.8.2 Preferences under uncertainty

I.8.3 Risk aversion

I.8.4 Insurance and gambling behaviour

I.9 General Equilibrium

I.9.1 Edgeworth-Bowley box

I.9.2 Trade and equilibrium

I.9.3 Walras' law, existence and uniqueness

I.9.4 Equilibrium with production

I.10 Welfare Theorems and Public Goods

I.10.1 First welfare theorem

I.10.2 Second welfare theorem

I.10.3 Welfare theorems with production

I.10.4 Public goods