ADVANCED MICROECONOMIC ANALYSIS                     Professor F. S. Lee
(ECON 5502)                                                                             Office: Manheim 202D
Spring 2010                                                                               Office Hours: By appt.
E-mail:  leefs@umkc.edu

Lecture: Wednesday, 7.00-9.45, Royall Hall, Room 312

Required Texts: B. R. Binger and E. Hoffman, W. Nicholson and C. Snyder,
Microeconomic Theory with Calculus
W. Nicholson and C. Snyder, Microeconomic Theory: Basic
Principles and Extension, 10th edition
E. Silberberg and W. Suen, The Structure of Economics
A. Marshall, Principles of Economics, online version is found at

Optional Text: H. R. Varian, Microeconomic Analysis
G. A. Jehle and P. J. Reny, Advanced Microeconomic Theory, 2nd
edition
T. Lawson, Reorienting Economics

Support Material: F. S. Lee, Microeconomic Analysis Lecture Notes
F. S. Lee, Neoclassical Microeconomics Lecture Notes (lecture
notes for the course; copies will be e-mailed to you)
F. Lee, Neoclassical Microeconomics: A Mathematical Approach
Made Simple
http://cas.umkc.edu/econ/economics/faculty/Lee/courses/502/Math.pdf

Assessment: Take home exam handed out on February 10, 2010 and returned on
February 17, 2010—worth 15% of your final grade
In-class Exam I covers parts I - III, neoclassical microeconomics (March
3, 2010)—worth 30% of your final grade
Take home exam handed out on April 7, 2008 and returned on April 14, 2010—worth 15% of your final grade
A set essay of 2,500 – 3,000 words, typed. It is due on April 28, 2010. It
is worth 10% of your grade.
Final Exam covers parts IV - VI, heterodox microeconomics (May 5, 2010 from 8.00p.m. – 10.00p.m.)—worth 30% of your final grade

Problem Sets: Problem sets will be e-mailed to you.

Course Description: The course provides a critical survey of neoclassical
microeconomic theory, including methodology, demand theory, production and costs theory, theory of competitive and non-
competitive markets, distribution, welfare, and general equilibrium.
COURSE OUTLINE AND READING LIST

“Well, in our country,” said Alice, still panting a little, “you’d generally get somewhere else—if you ran very fast for a long time…” “A slow sort of country!” said the Queen. “Now here, you see, it takes all the running you can do to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that!”

Through the Looking-Glass

I. Historical Background to Neoclassical Microeconomics

A. Brief Survey of Classical Political Economy


B. The Rise to Dominance of Neoclassical Economics

1. Lee, Neoclassical Microeconomics Lecture Notes, Book I, chs. 2, 3
II. Neoclassical Methodology and Models

“In our country,” she remarked, “there’s only one day at a time.” The Red Queen said “That’s a poor thin way of doing things. Now here, we mostly have days and nights two or three at a time....”

Through the Looking-Glass

A. Marshall on Methodology


B. Modern Methodology and Models

1. Lee, Neoclassical Microeconomics Lecture Notes, Book II, ch. 2.
C. Criticisms


III. Theory of Consumer Behavior and Demand

“Living backwards!” Alice repeated in great astonishment. “I never heard of such a thing!” “__but there’s one great advantage in it, that one’s memory works both ways.” “I’m sure *mine* only works one way,” Alice remarked. “I can’t remember things before they happen.” “It’s a poor sort of memory that only works backwards,” the Queen remarked. “What sort of things do you remember best?” Alice ventured to ask. “Oh, things that happened the week after next,” the Queen replied in a careless tone.

*Through the Looking-Glass*

A. Marshallian Analysis of Demand


B. Modern Utility and Preference Theory

2. Binger and Hoffman, Microeconomics with Calculus, ch. 5.
3. Nicholson and Snyder, Microeconomic Theory, ch. 3.
5. Varian, Microeconomic Analysis, pp. 94 – 115.
10. Jehle and Reny, Advanced Microeconomic Theory, ch. 1.1-1.2

C. Consumer Demand Theory

2. Binger and Hoffman, Microeconomics with Calculus, chs. 6-8.
3. Nicholson and Snyder, Microeconomic Theory, chs. 4-6.
5. Varian, Microeconomic Analysis, pp. 116 – 143.
10. Jehle and Reny, Advanced Microeconomic Theory, ch. 1.3-1.5

D. Special Topics in Consumer Demand Theory

1. Lee, Neoclassical Microeconomics Lecture Notes, Book III, ch. 5.

E. Market Demand Curve

3. Varian, Microeconomic Analysis, ch. 9.4.

F. Criticisms


IV.  Theory of Production and Costs

“There’s no use trying,” she said:  “one can’t believe impossible things.”  I daresay you haven’t had much practice,” said the Queen.  “When I was your age, I always did it for half-an-hour a day.  Why, sometimes I’ve believed as many as six impossible things before breakfast.”  

Through the Looking-Glass

A.  Marshall’s Analysis of Supply

1. Lee, Neoclassical Microeconomics Lecture Notes, Book II, ch. 4.

B.  Theory of Production

1. Lee, Neoclassical Microeconomics Lecture Notes, Book V, chs. 1 and 2.
2. Binger and Hoffman, Microeconomics with Calculus, ch. 10.
C. Theory of Costs: Changes in the Level of Output

1. Lee, Neoclassical Microeconomics Lecture Notes, Book V, ch. 3.
2. Binger and Hoffman, Microeconomics with Calculus, ch. 11.
10. Jehle and Reny, Advanced Microeconomic Theory, ch. 3.3.

D. Special Topics in Production and Cost Theory

1. Lee, Neoclassical Microeconomics Lecture Notes, Book V, ch. 4.
4. Varian, Microeconomic Analysis, pp. 82 – 93.
5. Jehle and Reny, Advanced Microeconomic Theory, ch. 3.4.

E. Criticisms

1. Lee, Neoclassical Microeconomics Lecture Notes, Book V, ch. 5.
2. Keen, Debunking Economics, ch. 3.
V. Price Theory: Perfect Competition

“Mr. Robertson’s remedy is to discard mathematics, and he suggests that my remedy is to discard the facts; perhaps I ought to have explained that, in the circumstances, I think it is Marshall’s theory that should be discarded.” (P. Sraffa, 1930).

A. Marshall’s Theory of Prices

1. Lee, Neoclassical Microeconomics Lecture Notes, Book II, ch. 5.

B. The Years of Turmoil, 1920 – 1933

C. Perfect Competition and the Supply Curve

1. Lee, Neoclassical Microeconomics Lecture Notes, Book VI, ch. 2.
3. Nicholson and Snyder, Microeconomic Theory, chs. 11-12.
9. Jehle and Reny, Advanced Microeconomic Theory, ch. 3.5, 4.1, 4.3.

D. Criticisms

1. Lee, Neoclassical Microeconomics Lecture Notes, Book VI, ch. 4.
2. Keen, Debunking Economics, ch. 3.
VI. **Price Theory: Imperfect Competition and the Firm**

A. **Monopoly**


B. **Monopolistic/Imperfect Competition**


C. **Oligopoly**


D. Behavioral and Managerial Theories of the Firm


E. Game Theory

1. Nicholson and Snyder, Microeconomic Theory, ch. 15.


3. Varian, Microeconomic Analysis, ch. 15.


F. Problems with Marginalism

1. Keen, Debunking Economics, ch.4.

VII. Factor Input Markets and Distribution

A. Demand and Supply of Factor Inputs Under Competitive Conditions

2. Nicholson and Snyder, Microeconomic Theory, chs. 16-17.

B. Demand and Supply of Factor Inputs Under Non-Competitive Conditions

2. Nicholson and Snyder, Microeconomic Theory, ch. 16-17.

C. Distribution of Income

D. Criticisms


VIII. General Equilibrium and Welfare Economics

A. General Equilibrium

15. Jehle and Reny, Advanced Microeconomic Theory, ch. 5.

B. Welfare Economics

1. Varian, Microeconomic Analysis, chs. 17 and 22.

C. Criticisms


IX. Neoclassical Microeconomics: Is it a science?

What we cannot speak about we must pass over in silence.

Tractatus Logico-Philosophicus

