1. Description of the course: This is a normative economics course, which asks the following fundamental questions: Are markets good or bad for the economy? Can societies decide what is best for them through voting or other ways of aggregating preferences? Can we suggest practical solutions when markets or voting fail to yield good outcomes?

The course is an advanced microeconomic theory class for undergraduates. Building on the intermediate microeconomics course, the approach is more formal and mathematically more rigorous, presenting arguments and expecting students to carefully develop techniques in order to understand and produce logical proofs. Topics include the efficiency and coalitional stability properties of markets, as well as other mechanisms to allocate resources. Market failures are discussed, including advanced treatments of externalities, public goods, and asymmetric information. The second part of the course will discuss a number of topics in social choice theory, including different normative criteria of compensation, life and death choices, majority voting, Arrow's impossibility theorem, and the modern theory of implementation or mechanism design.

2. Prerequisites: ECON 1110 or 1130. In addition, the student’s willingness to work hard is by far the most important prerequisite.


4. Grading policy: The grade of the course will be divided into 10% for participation in sections, 10% for homework assignments (only required to be turned in on time, showing that each problem has been attempted, answers due in the T.A. section every week), 30% for the midterm exam (on Monday October 21 in class), and 50% for the final exam (on Thursday December 19, 2-5p.m.) The final exam is cumulative and must be passed in order to pass the course.

5. Late assignments and missed exams: no late problem sets will be allowed. Please make arrangements with the T.A. if you have to miss section one week. Compensating for this hard-line policy, I will allow up to one missing assignment and give you the 10% of the grade assigned if you turn in all assignments but one. No make-up midterm exams: if you have to miss the midterm due to an emergency, I will require an excused absence from a Dean, which I must receive before the midterm, and will reweigh your grade in the final exam appropriately.
6. Academic integrity: I expect you to uphold the highest standards in terms of academic integrity. I take cheating on assignments or exams very seriously.

7. Special accommodations: if, due to a certified disability, you require special accommodations, please contact me as soon as possible. I want to make sure that every student is included and given full access and opportunity in the course.
List of Lectures (chapters from the Feldman-Serrano book)

1. Introduction.
2. Preferences and Choice (Ch. 1).
3. Utility, Social Preferences, and Elements of Barter (Ch. 1 and 2).
4. Pareto Efficiency and the Core (Ch. 2).
5. Market Exchange: The First Welfare Theorem (Ch. 3).
7. “Jungle” Exchange (Ch. 4).
8. Production (Ch. 5).
9. Uncertainty and Expected Utility (Ch. 1).
10. Exchange under Symmetric Uncertainty (Ch. 6).
11. Asymmetric Information (Ch. 6).
12. Externalities (Ch. 7).
Midterm Exam (Monday October 21).
13. Public Goods (Ch. 8).
14. Compensation Criteria (Ch. 9).
15. Compensation Criteria in Exchange Economies (Ch. 9).
16. Fairness and the Rawls Criterion (Ch. 10).
17. Life and Death Choices (Ch. 11).
18. Majority Voting (Ch. 12).
19. Majority Voting, continued (Chs. 12 and 8)
20. Arrow's Impossibility Theorem (Ch. 13).
21. Arrow's Impossibility Theorem, continued (Ch. 13).
22. Dominant-Strategy Implementation (Ch. 14).
24. Nash Implementation (Ch. 15).
Cumulative Final Exam: Thursday December 19.

Estimates of time allocation: The following is an estimate of the time allocation required for the course. Needless to say, following these estimates is neither necessary nor sufficient to do well in the course. That is, there will be students able to master the material perfectly with fewer hours, while on the other hand, arguing to the instructor that one has spent the suggested hours on the course will not be a consideration to determine the final grade. With these caveats, here are the estimates. Over 14 weeks, students will spend 3 hours per week in class (42 hours total), and 1 hour per week in discussion section (14 hours). Homework, reading, and studying for the midterm examination will take approximately 7 hours per week (98 hours total). In addition, there is a 3-hour final exam for which approximately 25 hours of review –5 hours for each of 5 days– is assumed.