

**Apec 8001**  
**Microeconomic Analysis of Consumer Choice and Consumer Demand**

**Syllabus**

**Fall, 2020**

**Instructor:** Paul Glewwe  
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**Class Website:** <https://canvas.umn.edu/courses/193049>  
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**Teaching Assistant:** Monique Davis  
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**Office Hours:** Mondays, 1:00 – 2:00 p.m., and Wednesdays 1:00 – 2:00 p.m.  
**Lecture Hours:** Tuesday & Thursday, 3:00-4:15 p.m. **Recitation:** Thursday, 1:30-2:45 p.m.  
**Where:** 144 McNeal Hall **Where:** 143 Ruttan Hall

**Description:** Applied Economics 8001 is the first of four half-semester courses in the Applied Economics 8001-2-3-4 sequence. This sequence provides first year Ph.D. students in Applied Economics, Carlson School of Management, Health Policy & Management and other programs with a rigorous and mathematical treatment of fundamental microeconomic concepts. The focus of this first course will be on consumer behavior and consumer demand (with an introduction to welfare analysis), choice under uncertainty, and an introduction to intertemporal consumer theory.

**Recommended Text:** This course will be based on the instructor's notes that will be posted on the class website. These notes and many homework problems will borrow extensively from MasColell, Winston, and Green, *Microeconomic Theory*, Oxford, 1995.

**Prerequisites:** The economics and mathematical background needed for students enrolling in this class includes intermediate or M.S. level microeconomic theory (e.g. ECON 3101, ECON 5151, or APEC 5151); linear algebra (e.g. MATH 2243); and multivariate calculus (e.g. MATH 2263).

**Homework:** There will be weekly homework assignments. All homework assignments will be handed out in class on Thursday and must be turned in on the following Thursday at the start of class. Homework assignments and their solutions will be posted on the class website. Late homework will not be accepted. Turn in whatever you have been able to complete.

I encourage you to work together on homework assignments. If your group agrees on the answers, you may submit one answer set for the group. Otherwise, you must submit your own answer set.

**Exams:** There will be one closed book exam on October 22, 2020.

**Grades:** A-F grades will be based on homework (50%) and the exam (50%). Those taking the course on an S-N basis must obtain at least a C- to earn an S. No incompletes will be offered.

## **Student Mental Health and Stress Management**

*As a student you may experience a range of issues that can cause barriers to learning, such as strained relationships, increased anxiety, alcohol/drug problems, feeling down, difficulty concentrating and/or lack of motivation. These mental health concerns or stressful events may lead to diminished academic performance or reduce a student's ability to participate in daily activities. University of Minnesota services are available to assist you with addressing these and other concerns you may be experiencing. You can learn more about the broad range of confidential mental health services available on campus via <http://www.mentalhealth.umn.edu/>.*

### **Lectures and Readings**

#### 1. Preference and Choice (September 8)

Readings: Mas-Colell et al., Chapter 1

#### 2. Consumer Choice (September 10 and 15)

Readings: Mas-Colell et al., Chapter 2

#### 3. Classical Demand Theory (September 17, 22, 24 and 29)

Readings: Mas-Colell et al., Chapter 3

#### 4. Aggregate Demand (October 1)

Readings: Mas-Colell et al., Chapter 4

#### 5. Commonly Used Functional Forms for Static Demand Systems (October 6)

Readings: Deaton and Muellbauer. 1980. "An Almost Ideal Demand System." *American Economic Review* 70(3): 312-326.

Banks, Blundell and Lewbel. 1997. "Quadratic Engel Curves and Consumer Demand." *Review of Economics and Statistics* 79(4):527-539.

#### 6. Choice Under Uncertainty (October 8, 13 and 15)

Readings: Mas-Colell et al., Chapter 6

Barberis. 2013. "Thirty Years of Prospect Theory in Economics: A Review and Assessment." *Journal of Economic Perspectives* 27(1): 173-195.

#### 6. Introduction to the Theory of Intertemporal Consumption (October 20)

Readings: Deaton. 1992. *Understanding Consumption*. Oxford University Press. Chapter 1.

**Final Exam: October 22, 2018.**

# Standard Statement on Course Requirements

<http://www.sos.umn.edu/staffaculty/supplement.php>

1. The two major grading systems used are the A-F and S-N. Departmental majors must take major courses on the A-F system; non-majors may use either system. The instructor will specify criteria and achievement levels required for each grade. All students, regardless of the system used, will be expected to do all work assigned in the course, or its equivalent as determined by the instructor. Any changes you wish to make in the grading base must be done in the first two weeks of the semester.
2. The instructor will specify the conditions, if any, under which an "Incomplete" will be assigned instead of a grade. The instructor may set dates and conditions for makeup work, if it is to be allowed. "I" grades will automatically lapse to "F"s at the end of the next semester of a student's registration, unless an instructor agrees to submit a change of grade for a student during a subsequent semester to maintain the grade as an "I".
3. Inquiries regarding any changes of grade should be directed to the instructor of the course; you may wish to contact the Student Conflict Resolution Center (SCRC) in 211 Eddy Hall (624-7272) for assistance.
4. Students are responsible for all information disseminated in class and all course requirements, including deadlines and examinations. The instructor will specify whether class attendance is required or counted in the grade for a class.
5. A student is not permitted to submit extra work in an attempt to raise his or her grade, unless the instructor has specified at the outset of the class such opportunities will be afforded to all students.
6. Scholastic misconduct is broadly defined as "any act that violates the right of another student in academic work or that involves misrepresentation of your own work. Scholastic dishonesty includes, (but is not necessarily limited to): cheating on assignments or examinations; plagiarizing, which means misrepresenting as your own work any part of work done by another; submitting the same paper, or substantially similar papers, to meet the requirements of more than one course without the approval and consent of all instructors concerned; depriving another student of necessary course materials; or interfering with another student's work."
7. Students with disabilities that affect their ability to participate fully in class or to meet all course requirements are encouraged to bring this to the attention of the instructor so that appropriate accommodations can be arranged. Further information is available from Disabilities Services (230 McNamara).
8. University policy prohibits sexual harassment as defined in the December 1998 policy statement, available at the Office of Equal Opportunity and Affirmative Action. Questions or concerns about sexual harassment should be directed to this office, located in 419 Morrill Hall.