GHENT UNIVERSITY

Course Specifications

Valid in the academic year 2023-2024

Microeconomics: Decision Theory (F000628)

Course size *(nominal values; actual values may depend on programme)*

Credits 6.0 **Study time 180 h**

Course offerings and teaching methods in academic year 2023-2024

A (semester 1)	Dutch	Gent	lecture seminar
B (semester 1)	English	Gent	lecture seminar

Lecturers in academic year 2023-2024

Van de gaer, Dirk	EB21	lecturer-in-charge
Vieider, Ferdinand	EB21	co-lecturer

Offered in the following programmes in 2023-2024	**crdts**	**offering**
Master of Science in Teaching in Economics(main subject Economics)	6	A
Master of Science in Business Engineering(main subject Data Analytics)	6	B
Master of Science in Business Engineering (Double Degree)(main subject Operations Management)	6	B
Master of Science in Business Engineering(main subject Operations Management)	6	B
Master of Science in Complementary Studies in Economics	6	A
Master of Science in Economics	6	B
Master of Science in Economics (Double Degree)	6	B
Exchange programme in Economics and Business Administration	6	B

Teaching languages

English, Dutch

Keywords

Microeconomics, consumer behaviour, uncertainty, information economics, Markowitz expected utility and its dual, prospect theory, ambiguity aversion, intertemporal choice

Position of the course

The course aims at broadening and extending the skills acquired in an intermediate course in Microeconomics, such that the student becomes familiar with a range of concepts and techniques used frequently in economic analysis. These tools will be used and developed in the courses advanced micro-economics: game theory and asymmetric information, social economics and public economics.

Contents

Part 1. The course first deals with specific topics in consumer behavior: aggregation across goods, aggregation across consumers and welfare evaluation of price- and income changes. Next expected utility theory is introduced. After that we discuss information economics: moral hazard and adverse selection.
Part 2. The second part of the course starts with a critical evaluation of expected utility theory, followed by a discussion of alternative approaches: Markowitz expected utility and its dual, prospect theory and ambiguity aversion. We end with a discussion of different models of intertemporal choice. During the first class experimental data will be collected that will be used to illustrate the concepts and theories covered.

Initial competences

Microeconomics.

Final competences

1 be able to use micro economic techniques
2 analyse economic situations and problems using micro economic techniques
3 propose realistic solutions for micro-economic situations and problems.
4 Critical attitude towards expected utility theory, knowledge of alternatives and empirical testing of decision theoretic models.

Conditions for credit contract

Access to this course unit via a credit contract is determined after successful competences assessment

Conditions for exam contract

Access to this course unit via an exam contract is unrestricted

Teaching methods

Seminar, Lecture

Extra information on the teaching methods

Formal lecture.

Learning materials and price

Slides will be made available on Ufora by teachers.

References

Part 1:

- Cowell, F.A. (2006), Microeconomic Principles and Analysis, Oxford University Press.
- Mas-Colell, A., Whinston, M.D. and J.R. Green (1995), Microeconomic theory, Oxford: Oxford University Press.
- Perloff, J.M. (1999), Microeconomics, Addison-Wesley Publishing Company.
- Gravelle, H. and R. Rees (2004), Microeconomics, third edition, Prentice Hall.
- Varian, H.R. (1992), Microeconomic Analysis, third edition, Norton.
- Varian, H.R. (1999), Intermediate Microeconomics, fifth edition, Norton.

Part 2:

- Schoemaker, Paul J.H. (1982). The Expected Utility Model: Its Variants, Purposes, Evidence and Limitations. Journal of Economic Literature, Vol. XX, pp. 529-563.
- Rabin, Matthew, & Richard H. Thaler (2001). Anomalies: Risk Aversion. *Journal of Economic Perspectives 15(1)*, 219-232.
- Markowitz, Harry (1952). The Utility of Wealth. *Journal of Political Economy 60*, 151–158.
- Gneezy, Uri, & Jan Potters (1997). An experiment on risk taking and evaluation periods. *Quarterly Journal of Economics 112*, 631–646.
- Abdellaoui, Mohammed (2000). Parameter-Free Elicitation of Utility and Probability Weighting Functions. *Management Science 46(1)*, 1497-1512.
- Ellsberg, Daniel (1961). Risk, Ambiguity and the Savage Axioms. *Quarterly Journal of Economics 75(4)*, 643-669.
- Bryan, Gharad (2018). Ambiguity Aversion Decreases the Impact of Partial Insurance: Evidence from African Farmers. Journal of the European Economic Association, forthcoming.
- Loewenstein, George & Richard Thaler (1989). Anomalies: Intertemporal Choice. *Journal of Economic Perspectives 3*, 181-193.
- Frederick, Shane, George Loewenstein, & Ted O'donoghue (2002). Time Discounting and Time Preference: A Critical Review. *Journal of Economic Literature 40(2)*, 351-401.

Course content-related study coaching

Coaching will be done by the professor.

Assessment moments

end-of-term assessment

Examination methods in case of periodic assessment during the first examination period

Written assessment

Examination methods in case of periodic assessment during the second examination period

Written assessment

Examination methods in case of permanent assessment

Possibilities of retake in case of permanent assessment

not applicable

Extra information on the examination methods

Written examination.

Calculation of the examination mark