

# Course Specifications

Valid in the academic year 2024-2025

# 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 2024-2025					
A (semester 1)	Dutch	Gent	lecture seminar		
B (semester 1)	English	Gent	lecture seminar		

#### Lecturers in academic year 2024-2025

Van de gaer, Dirk EB21	lecturer-in-o	charge
Vieider, Ferdinand EB21	co-lecturer	
Offered in the following programmes in 2024-2025	crdts	offering
Master of Science in Teaching in Economics(main subject Economics)	6	Α
Master of Science in Teaching in Science and Technology(main subject Mathematics)	6	Α
Master of Science in Business Engineering(main subject Data Analytics)	6	В
Master of Science in Business Engineering (Double Degree)(main subject Data Analytic	s) 6	В
Master of Science in Business Engineering (Double Degree)(main subject Operations Management)	6	В
Master of Science in Business Engineering(main subject Operations Management)	6	В
Master of Science in Complementary Studies in Economics		Α
Master of Science in Economics		В
Master of Science in Economics (Double Degree)		В
Master of Science in Mathematics		Α
Exchange programme in Economics and Business Administration	6	В

### 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.

#### Study material

Type: Slides

Name: Decision theory, part 1 Indicative price: Free or paid by faculty Optional: no Language : English Number of Slides : 200 Available on Ufora : Yes Online Available : No Available in the Library : No Available through Student Association : No

#### Type: Slides

Name: Decision theory, part 2 Indicative price: Free or paid by faculty Optional: no Language : English Number of Slides : 280 Available on Ufora : Yes Online Available : No Available in the Library : No Available through Student Association : No

# 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