

University of California, San Diego
Department of Economics

Fall 2000

Class Syllabus

Econ 171 Decision Making Under Uncertainty

Instructor Eric Van Tassel
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Office hours: To be announced in class

Lectures Tuesday & Thursday 11:10am, Center Hall 109

Course Objectives

This course will give students an introduction to the microeconomics of decision making under uncertainty and asymmetric information. We begin the course by constructing a model of individual decision making when outcomes are uncertain. This model of behavior will then be applied to various topics, such as insurance markets, the economics of crime, and asset markets. The course will also study models of decision making under asymmetric information. Finally, there will be a brief introduction to some relevant aspects of game theory.

Organization of Lecture

The basic structure of the lectures will be to first, give students an introduction to the theory of decision making under uncertainty, and second, to apply the theoretical results to selected problems. The course will have an emphasis on problem solving. The design of the problems and solution methods will require an analytical approach. In this regard, the course will make use of some basic calculus as well as a few principles from static optimization. Students will be required to complete homework problems. One of the primary motivations for assigning homework problems is to prepare students for the type of problems that will appear on the exams.

Method of Assessment

The grade for this course will be assessed as follows:

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|-----------------|-----|
| 1. Homework | 15% |
| 2. Midterm Exam | 35% |
| 3. Final Exam | 50% |

Homework problems will be distributed during lecture. These homework assignments will consist of problems from the textbook and/or from lecture. The due date for these assignments will be announced in class when the problems are assigned. The midterm will be held in class on October 26th. The date of the final exam will be announced in class.

Textbook

Hal R. Varian, *Intermediate Microeconomics*, W. W. Norton & Company, 1999.

Lecture Outline

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|--------------|------------------------------------|
| 9/21 | Introduction |
| 9/26 & 28 | Uncertainty Chp 12 |
| 10/3 & 5 | Intertemporal Choice Chp 10 |
| 10/10 & 12 | Asset Markets Chp 11 & 13 |
| 10/17 & 19 | Law and Economics Chp 33 |
| 10/24 | Information Technology Chp 34 |
| 10/26 | Midterm Exam |
| 10/31 & 11/2 | Adverse Selection Chp 36 |
| 11/7 & 9 | Moral Hazard Chp 36 |
| 11/14 & 16 | Auctions Chp 17 |
| 11/21 | Introduction to Game Theory Chp 28 |
| 11/28 & 30 | Game Theory Chp 28 |