



## AREC/ECON 513: CONSUMPTION ECONOMICS AND PRICE ANALYSIS\*

Spring Semester 2022  
Monday and Wednesday  
2:00 - 3:15 PM  
Saguaro Hall 219

### Instructor

Dr. Jeffrey Michler  
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Office Hours: Monday and Wednesday, 12:45 - 1:45 PM  
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**Course Description:** Fundamentals of consumption economics. Theory of consumer preferences and utility with emphasis on choice, demand, uncertainty, and time. Competitive markets, exchange, welfare and efficiency are considered. The economics of information (moral hazard, adverse selection, signalling) are explored.

**Prerequisite:** The following topics are necessary for the level of mathematics used in this course: Cramer's Rule, comparative static analysis, and constrained optimization.

**Credit Hours:** 3

### Texts (Required):

- Varian, H.R. 1992. *Microeconomic Analysis*, 3<sup>rd</sup> Edition. New York: W.W. Norton & Co.
- We will also be reading academic articles throughout the course

### Text (Recommended, not required):

- Chiang, A.C., and Wainwright, K. 2004. *Fundamental Methods of Mathematical Economics*, 4<sup>th</sup> Edition. New York: McGraw-Hill.
- Kreps, D.M. 1990. *A Course in Microeconomic Theory*. Princeton: Princeton University Press.
- Rubinstein, A. 2012. *Lecture Notes in Microeconomic Theory: The Economic Agent*, 2<sup>nd</sup> Edition. Princeton: Princeton University Press.
- Macho-Sadler, I., and Pérez-Castrillo, J.D. 2001. *An Introduction to the Economics of Information: Incentives and Contracts*, 2<sup>nd</sup> Edition. Oxford: Oxford University Press.

**Course Objectives:** AREC 513 is designed to provide graduate students with a rigorous introduction to the theory of the consumer. AREC 513 is not intended to be a course on empirical applications (e.g. estimation of demand systems), but instead focuses on the implications of microeconomic theory for empirical work. The course is the consumer side counterpart of AREC 504.

**Expected Learning Outcomes:** At the completion of this course, students should be able to:

1. Describe theoretical models of consumer and market behavior and identify key assumptions underlying the models. [Subject Matter Expertise]
2. Independently employ mathematical and statistical tools to solve economic problems with real-world implications. [Critical Thinking and Problem Solving]

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\*Information contained in the course syllabus, other than the grade and absence policy, may be subject to change with advance notice, as deemed appropriate by the instructor.

3. Develop skills to communicate precisely in written, spoken, and mathematical form to economist and non-economists [Communication]

**Grading System:** Incentives are a big part of economics. As an economist, I hope I have created a grading scheme that provides incentives for you to succeed: come to class, keep current with the readings, use the problem sets as practice, find ways to understand the material that works for you, and think creatively about economics.

Your course grade will be based on the following:

Problem Sets	5%
Paper/Presentation	20%
Midterm 1	25%
Midterm 2	25%
Final	25%

**Grading Scale:** The grading scheme will be as follows (out of 100):

A: 90-100, B: 80-89, C: 70-79, D: 60-69, E: 0-59.

**Exam Policy:** Exams will be take home, open book, open notes. On the day of the exam, you will receive an electronic copy of the exam at the start of class time. You will then have until 11:59 PM MST on the NEXT DAY to complete the exam. Exams must be submitted via D2L.

When you have a legitimate reason (documented illness or a university related official excuse) for missing an exam, the instructor may elect to schedule an exam at a later date.

**Problem sets:** Problem sets complement and reinforce ideas covered in class. Practice is essential to learn how to solve problems like those you may encounter on an examination. Students can learn from each other and are encouraged to work together on problem sets. However, submitted assignments must reflect each student's own thinking.

**Paper/Presentation:** The goal of the term paper is for you to apply the material covered in this course to a real world problem. This paper might be the basis for your thesis or it might lead you to a problem that you discover that you do not want to pursue.

A good source for your term paper may be an issue featured in popular press outlets or podcasts. Start thinking about this now: set up a meeting with me by 5 February to discuss your topic.

The final paper will be 20 pages, including bibliography, figures, and tables. Grading will be based on the correct and comprehensive application of topics covered in the course. The major sections and topics at least must address:

- I. Introduction. What is the source of the idea? Why is it important?
- II. Literature Review. Who has written papers on this topic? What economic models did they use? What did they find or conclude?
- III. Theoretical Model. How do concepts covered in this course aid you in analyzing this problem? Are concepts applied appropriately, correctly, rigorously, completely? Lay out a graphical and mathematical representation of the problem.
- IV. Testing the Model. How would you determine if your model accurately depicts the problem you are addressing? What data would you need to collect? How might you interpret empirical results?
- V. Limitations of the model. How could your model be improved?
- VI. Next steps and conclusions.
- VII. References.

**Requests for incomplete (I) or withdrawal (W):** Requests must be made in accordance with University policies, which are available at <http://catalog.arizona.edu/policy/grades-and-grading-system>.

**Grade Dispute:** If the student believes there has been a mistake in the posted grade on D2L, or the final grade in the class, the student must notify the Dr. Michler no later than one week after the posting of the grade. All grades after

the one-week window are final.

**Absence and Class Participation Policy:** Consult the UA's policy concerning Class Attendance, Participation, and Administrative Drops: <http://catalog.arizona.edu/policy/class-attendance-participation-and-administrative-drop>.

The UA policy regarding absences for any sincerely held religious belief, observance or practice will be accommodated where reasonable, <http://policy.arizona.edu/human-resources/religious-accommodation-policy>.

Absences pre-approved by the UA Dean of Students (or Dean Designee) will be honored. See: <https://deanofstudents.arizona.edu/absences>.

Participating in the course and attending lectures and other course events are vital to the learning process. As such, attendance is required at all lectures. Students who miss class due to illness or emergency are required to bring documentation from their health-care provider or other relevant, professional third parties. Failure to submit third-party documentation will result in unexcused absences.

**Classroom Behavior Policy:** To foster a positive learning environment, students and instructors have a shared responsibility. We want a safe, welcoming, and inclusive environment where all of us feel comfortable with each other and where we can challenge ourselves to succeed. To that end, our focus is on the tasks at hand and not on extraneous activities (e.g., texting, chatting, reading a website, making phone calls, web surfing, etc.).

### **Lauren's Promise: I will listen and believe you if someone is threatening you.**

Lauren McCluskey, a 21-year-old honors student athlete, was murdered on 22 October 2018, by a man she briefly dated on the University of Utah campus. We must all take actions to ensure that this never happens again.

If you are in immediate danger, call 911.

If you are experiencing sexual assault, domestic violence, and stalking, please report it to me and I will connect you to resources or call the National Alternatives to Violence at 877-334-2887 (24-hour crisis hotline).

Any form of sexual harassment or violence will not be excused or tolerated at the University of Arizona. The UA Threatening Behavior by Students Policy prohibits threats of physical harm to any member of the University community, including to oneself. See <http://policy.arizona.edu/education-and-student-affairs/threatening-behavior-students>.

Resources for Domestic Violence, Sexual Assault, and Stalking:

- National Domestic Violence Hotline: 1-800-799-SAFE and <https://www.thehotline.org/help/>
- RAINN (Rape, Abuse & Incest National Network): 1-800-656-HOPE (4673) and <https://www.rainn.org/>
- Victim Connect Resource Center: 1-855-484-2846 and <https://victimconnect.org/>
- Love is Respect – National Dating Abuse Hotline: call 1 (866) 331- 9474 or text 22522
- Anti-Violence Project Hotline: 212-714-1141 and <https://avp.org/get-help/>

**Accessibility and Accommodations:** At the University of Arizona we strive to make learning experiences as accessible as possible. If you anticipate or experience physical or academic barriers based on disability or pregnancy, you are welcome to let me know so that we can discuss options. You are also encouraged to contact Disability Resources (520-621-3268) to explore reasonable accommodation.

Please be aware that the accessible table and chairs in this room should remain available for students who find that standard classroom seating is not usable.

**Code of Academic Integrity:** Students are encouraged to share intellectual views and discuss freely the principles and applications of course materials. However, graded work/exercises must be the product of independent effort unless otherwise instructed. Students are expected to adhere to the UA Code of Academic Integrity as described in the

UA General Catalog. See: <https://deanofstudents.arizona.edu/policies/code-academic-integrity>.

The University Libraries have some excellent tips for avoiding plagiarism, available at <http://new.library.arizona.edu/research/citing/plagiarism>.

**Selling class notes and/or other course materials to other students or to a third party for resale is not permitted without the instructor's express written consent.** Violations to this and other course rules are subject to the Code of Academic Integrity and may result in course sanctions. Additionally, students who use D2L or UA e-mail to sell or buy these copyrighted materials are subject to Code of Conduct Violations for misuse of student e-mail addresses. This conduct may also constitute copyright infringement.

**UA Nondiscrimination and Anti-Harassment Policy:** The University is committed to creating and maintaining an environment free of discrimination; see <http://policy.arizona.edu/human-resources/nondiscrimination-and-anti-harassment-policy>.

Our classroom is a place where everyone is encouraged to express well-formed opinions and their reasons for those opinions. We also want to create a tolerant and open environment where such opinions can be expressed without resorting to bullying or discrimination of others.

## Course Outline:

Date	Topic	
13-Jan	Introduction to Consumer Theory	
<b>18-Jan</b>	<b>No Class: Martin Luther King, Jr. Day</b>	
20-Jan	Preferences and Utility	
25-Jan		
27-Jan		
1-Feb		
3-Feb	Utility Maximization and Choice	
8-Feb		
10-Feb		
15-Feb		
<b>17-Feb</b>	<b>Midterm 1</b>	
22-Feb	Demand and Uncertainty	
24-Feb		
1-Mar		
3-Mar		
8-Mar	<b>No Class: Reading Day</b>	
<b>10-Mar</b>		
15-Mar		
17-Mar		
22-Mar	Time	
24-Mar		
<b>29-Mar</b>		<b>Midterm 2</b>
31-Mar		Competitive Markets and Exchange
5-Apr		
7-Apr		
12-Apr		
14-Apr	Information	
19-Apr		
<b>21-Apr</b>	<b>No Class: Reading Day</b>	
26-Apr	Information	
28-Apr		
3-May	Presentations	
5-May		
<b>TBD</b>	<b>Final Exam</b>	