Overview

AP 109 is the first semester of the two-semester sequence in advanced microeconomics for MPA/ID students. The goal of the course is to prepare students to analyze applied problems in international development using the tools of modern microeconomic theory. The course is a doctoral-level course in microeconomic theory with an eye toward policy applications in development economics.

Audience

This course is intended for first-year MPA/ID students. Students not in the MPA/ID program will be admitted only with the permission of the instructor and only under exceptional circumstances. Students interested in a similar advanced microeconomics course should consider API 111 / Econ 2020a / HBS 4010 instead.

Prerequisites

The main prerequisite for this course is an understanding of multivariate calculus. Familiarity with linear algebra, probability theory, and mathematical optimization is also helpful. The most important prerequisite, however, is a degree of “mathematical sophistication” and comfort with rigorous reasoning and arguments.

Requirements and Grading

The course requirements include the completion of several problem sets, a midterm exam, and a final exam. Your grades on these tasks will be weighted according to Scheme A and Scheme B.

Date: August 29, 2019.
<table>
<thead>
<tr>
<th></th>
<th>Scheme A</th>
<th>Scheme B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Problem Sets</td>
<td>15 %</td>
<td>15 %</td>
</tr>
<tr>
<td>Midterm Exam</td>
<td>25 %</td>
<td>0 %</td>
</tr>
<tr>
<td>Final Exam</td>
<td>60 %</td>
<td>85 %</td>
</tr>
</tbody>
</table>

Your final score will be computed according to the most favorable (for you) of the two weightings. Letter grades will be assigned based on your final weighted score. The distribution of course grades will correspond roughly to the Harvard Kennedy School’s recommended grade distribution.

Exams

The midterm exam will be held in class. The final exam will be scheduled by the registrar during the final exam period. Exam dates and times are noted in the course calendar below.

Problem Sets

Problem sets are graded primarily for completion and only a “check+/check/check−/no credit” will be offered for feedback. Earning a “check−” or better gives you full credit for the problem set. Sloppy, half-hearted, or incomplete work is unlikely to receive credit. We will drop your lowest problem set grade in calculating your grade for this part of the class.

You are allowed to work in small groups (four or fewer students) on the problem sets, but you must hand in independently written-up solutions. If you choose to collaborate with others, please identify other group members on your write-up. It will be very difficult to do well on the exams unless you can independently complete problem-set-like questions.

Unless you make prior arrangements, you must submit completed problem sets in hardcopy to the MPA/ID assignment dropbox before the due date. Do not bring assignments to lecture. Late problem sets will not be accepted. There is no need to type-up your problem set solutions, but sloppy work will not receive credit.

Review Sections

The teaching fellow will hold weekly review sections. Formally, attendance at these sections is optional. However, most students will benefit greatly from attending one weekly review section.

Course Readings

There will be required readings from the following sources:

- Miscellaneous academic journals.
MWG is the standard textbook used in economics Ph.D. programs. We will also use a set of supplemental notes authored by Nolan Miller. These notes are freely available online. Readings from academic journals can be accessed online through the Harvard Library’s website.

For some lectures there are optional readings from the following sources:

- *Lecture Notes in Microeconomic Theory* [Rubinstein] by Ariel Rubinstein.
- *Economics and Consumer Behavior* [Deaton and Muellbauer] by Angus Deaton and John Muellbauer.

For a different exposition of the course material and for more exercises, you may wish to consult *A Course in Microeconomic Theory* by David M. Kreps, *Microeconomic Foundations I: Choice and Competitive Markets* by David M. Kreps, or *Microeconomic Analysis* by Hal R. Varian. Students seeking a math supplement may wish to consult *Mathematics for Economists* by Carl P. Simon and Lawrence E. Blum or *Fundamental Methods of Mathematical Economics* by Alpha C. Chiang.

**Optional Enrichment Lectures**

This course touches many topics and regrettably some subjects cannot be covered in the depth that they ought to be. Some students may benefit from exposure to more advanced topics of particular interest. Thus, the following optional enrichment lectures are planned:

1. Inter-temporal Choice and Consumption
2. Discrete Exchange Economies and Assignment Markets
3. Existence of Walrasian Equilibrium

*Optional enrichment lectures are optional.* Any new concepts presented are not exam material. Consult the course calendar for details concerning these lectures.

**Audio/Video Recordings**

I kindly ask you not to make audio or video recordings of the lectures.
Advice

1. Exam questions will resemble problem set questions. Please seek out practice problems wherever you can. Look beyond the assigned problem sets! Many textbooks have extra exercises. The internet is another resource. The teaching fellow, course assistants, and I are more than happy to help you solve/learn relevant material that you encounter independently.

2. Read the assigned readings before lecture and again after lecture. The excellent notes by Nolan Miller parallel MWG and are less dense. You may wish to read them first.

3. If pressed for time, you are better off practicing solving problems rather than memorizing the details of an assigned text.

4. Please feel welcome to ask questions in class. Illuminating digressions are exciting. However, I may defer your question to a later date or to office hours if it will get us too far off track.

5. Please make use of office hours. Even if you have no specific questions about the course material, please feel welcome to visit, chat, ask questions, or simply say hello.

Credits

This course draws on material that I was fortunate to encounter as a student, teaching assistant, and faculty. I am particularly indebted to David Ahn, Bob Anderson, Chris Avery, Ben Hermalin, Shachar Kariv, Botond Készegi, Nolan Miller, Matthew Rabin, Martin Rotemberg, Chris Shannon, and Richard Zeckhauser. I also thank former teaching assistants and students whose input has improved the class.
Important Dates

Exams are scheduled for the following dates:

- Midterm Exam: 11.45–13.00, October 7, 2019. The exam is held in class.
- Final Exam: 14.00–17.00, December 16, 2019. The location will be announced later.

Problem sets are due on the following dates:

<table>
<thead>
<tr>
<th>Problem Set</th>
<th>Date Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>September 16</td>
</tr>
<tr>
<td>2</td>
<td>September 23</td>
</tr>
<tr>
<td>3</td>
<td>September 30</td>
</tr>
<tr>
<td>4</td>
<td>October 21</td>
</tr>
<tr>
<td>5</td>
<td>November 4</td>
</tr>
<tr>
<td>6</td>
<td>November 18</td>
</tr>
<tr>
<td>7</td>
<td>December 2</td>
</tr>
</tbody>
</table>

There is a regular lecture scheduled on Friday, September 6, 2019. It will be held at the regular class time and location.

The review sections on Friday, October 11, 2019, are cancelled.

There are no lectures on the following dates:

- Monday, October 14, 2019 (Columbus Day)
- Monday, November 11, 2019 (Veterans Day)
- Wednesday, November 27, 2019 (Thanksgiving Recess)
Course Calendar

The calendar will be adjusted depending on our progress. There are two types of readings. Required read-
ings you should attempt before class and review after class. Optional readings may be assigned to facilitate
discussion or to illustrate applications. Additional readings may be added based on class interest.

Key: ● = required reading. ◊ = optional/supplemental/recommended reading.

September 4
Lecture 0. Introduction.


Perspectives 21(1):141–168.

◊ Boomtown Slum: A Day in the Economic Life of Africa’s Biggest Shanty-Town. The Economist,


◊ Cornes, Richard, and Jose A. Rodrigues-Neto. 2013. Is Policy Too Important to be Left to Empiricists?


September 6


◊ Jehle and Reny 1.1–1.2.

◊ Miller Chapter 1.

◊ Rubinstein Lecture 2.

◊ Deaton and Muellbauer Chapter 1, 2.1–2.2.

September 9

● MWG 3.D.

● Miller 3.1–3.3.

◊ MWG Appendix M.K (Constrained Optimization).

◊ Jehle and Reny 1.3–1.4; Appendix A2.

◊ Rubinstein Lecture 4.
September 11
• MWG 3.E.
• Miller 3.4.
  ◦ Jehle and Reny 1.4.
  ◦ Deaton and Muellbauer 2.3.

September 16
• MWG 3.F–3.G.
• Miller 3.4.
  ◦ Jehle and Reny 1.4–1.5.
  ◦ Deaton and Muellbauer 2.4–2.5.

September 18
• MWG 3.I.
• Miller 3.4.
  ◦ Deaton and Muellbauer 7.4.
  ◦ Pennies From Heaven. The Economist, October 26, 2013.

September 23
• MWG 2.F & 3.J.
  ◦ Rubinstein Lectures 3 & 5.
  ◦ Jehle and Reny 2.3.
  ◦ Deaton and Muellbauer 2.6.
**September 25**

- MWG Chapter 6.
- Miller Chapter 6.
  - Rubinstein Lectures 7 & 8.
  - Jehle and Reny 2.4.
  - Deaton and Muellbauer Chapter 14.

**September 27**
Optional Enrichment Lecture 1. Inter-temporal Choice and Consumption.

- Time & Location: TBA
- TBD

**September 30**

- MWG Chapter 6.
- Miller Chapter 6.
  - Jehle and Reny 2.4.

**October 2**

**October 7**
Midterm Exam.
- In class, closed-book exam.
- Covers all preceding lectures.
- No electronics; however, non-graphing and non-programmable calculators are allowed.

**October 9**
- MWG 5.A–5.C.
- Miller 5.1–5.2.
  - Jehle and Reny 3.1–3.2.

**October 14**
No Lecture (Columbus Day).

**October 16**
- MWG 5.D.
- Miller 5.3–5.5.
  - Jehle and Reny 3.3–3.5.

**October 21**
  - Moulin 3.2.
October 23

- MWG 15.A–15.B.
- Jehle and Reny 5.1.
- Moulin 3.6.

October 25
Optional Enrichment Lecture 2. Discrete Exchange Economies.

- Time & Location: TBA


October 28

- MWG 15.A–15.B.

October 30
Lecture 15. Production Economies 1: The Robinson Crusoe Economy.

- MWG 15.C.
- Jehle and Reny 5.3.
- Defoe, Daniel. 1719. Robinson Crusoe.

November 4

- MWG 15.C.
- Jehle and Reny 5.3.
November 6
Lecture 17. First and Second Welfare Theorems 1.
    - Jehle and Reny 5.2.

November 11
No Lecture (Veterans Day).

November 13
Lecture 18. First and Second Welfare Theorems 2.
    - Jehle and Reny 5.2.

November 15
  - Time & Location: TBA
  - MWG 17.A–17.C.
  - Jehle and Reny 5.1–5.2.

November 18
  - MWG 19.A–19.C.
  - Jehle and Reny 5.4.

November 20
  - MWG 11.A–11.C.
  - Miller 8.1–8.3.
November 25

  ◦ Moulin 3.3.

November 27
No Lecture (Thanksgiving Recess).

December 2


December 4


December 16
Final Exam.

- Time: 14.00–17.00
- Location: TBA
- The exam is closed book and covers the entire course.
- Non-graphing and non-programmable calculators are allowed. Other electronics are not allowed.