

Microeconomic Theory I Helsinki GSE
Fall 2019
Juuso Välimäki

Instructions for the Essay (Due October 26, 2019)

In this course, you may submit an essay as a piece of independent work. The essay delivers a maximum of 20 points that will be added to your grade if you pass otherwise the course (i.e. get 50/100 on the exam and exercises).

The essay should discuss one important topic in the areas that we covered (decision theory, consumer theory, theory of the firm, choice under uncertainty, behavioral economics) but that was omitted from the lectures due to time constraints. The essay should be no longer than six pages, it should demonstrate that you understand the topic, can summarize it in your own words and ideally also indicate what are the most important next steps for research in this area. The essay should not be a treatise, but it should go well beyond the information in Wikipedia articles. One really good way of showing your understanding is by coming up with concrete examples of your own on the issue at hand.

Here are some possible topics.

1. GARP, SARP and preference-based choice
2. Incomplete preferences and Knightian uncertainty
3. Value of information and Blackwell's theorem
4. Ambiguity averse preferences
5. Preferences over menus: preference for commitment or flexibility
6. Time-inconsistent preferences and hyperbolic discounting
7. Choice and Bayesian learning
8. Stochastic choice
9. Discrete choice
10. Reference-dependent preferences and loss aversion
11. Biases in belief formation (overconfidence, confirmation bias, law of small numbers etc.)
12. Experimental methods in decision theory (discuss here a topic of your choice including experimental evidence and possible interpretations and conclusions)

You can also choose another topic and if you are risk averse, you may want to discuss its suitability with me in advance.

The due date for the essay is October 27, 2019.