Revised October 17, 2012
ECONOMICS 200A – Part 2
MICROECONOMIC THEORY --- MARKETS AND WELFARE

The principal text for the course is Starr, *General Equilibrium Theory: An Introduction*, 2nd edition. Let Ross know of typos or errors.   In addition we will use Mas-Colell, Whinston, and Green, *Microeconomic Theory*, Varian, *Microeconomic Analysis, 3rd edition,* Kreps, *A Course in Microeconomic Theory*.

Items shown with a bullet (●) are required reading for Economics 200A. Items shown with an asterisk (*) on the syllabus were once designated by the UCSD Economics faculty as sufficient preparation for the qualifying examination in microeconomics for these topics. *-designated material overlaps and extends ●-designated material; suggestion: read both. Material denoted by a dagger (†) is intended to provide additional depth and breadth for the topic presented but is not intended to appear on a class or qualifying examination.

There will be weekly problem sets required.

I. The Robinson Crusoe model; the Edgeworth Box in Consumption and Factor allocation

●Starr, *General Equilibrium Theory: An Introduction*, Foreword, Chapters 1 – 5.

● Starr, "Kenneth J. Arrow (born 1921)" biography by Starr in the New Palgrave, 2nd edition, online, http://www.dictionaryofeconomics.com/article?id=pde2008_K000067&edition=current&q=Starr&topicid=&result_number=5.

● Solow, Robert M., "A Contribution to the Theory of Economic Growth," Quarterly Journal of Economics, 1956, v.70, section I "Introduction," pp. 65, 66.

● "Ockham's razor." Encyclopædia Britannica. 2007. Encyclopædia Britannica Online. <http://search.eb.com/eb/article-9056716>.

*Mas-Colell, Whinston, and Green, chap. 15

*Varian, chap. 17

*Jones, R., "The Structure of Simple General Equilibrium Models," *Journal of Political Economy*, 1963, pp. 557 - 72.

†Nicholson, W., *Microeconomic Theory: Basic Principles and Extensions*, 2nd ed. chap 20, including appendices.

†Cornwall, R. R., *Introduction to the Use of General Equilibrium Analysis*, pp. 20-24, "Economists' View of Robinson Crusoe;" pp. 78 -83, "Partial versus General Equilibrium Analysis."

†Arrow, K. J., and F. H. Hahn, *General Competitive Analysis*, chap 1.

†Arrow, K.J., "General Economic Equilibrium: Purpose, Analytic Techniques, Collective Choice," *American Economic Review* , LXIV, v. 3, June 1974, pp. 253 - 272.

†Weintraub, E. R., " On the Existence of Competitive Equilibrium: 1930 - 1954," *Journal of Economic Literature,* XXI*,* March 1983, pp 1 - 39.

† Darrell Duffie and Hugo Sonnenschein "Arrow and General Equilibrium Theory " *Journal of Economic Literature*, Vol. 27, No. 2 (Jun., 1989), pp. 565-598.

† Weintraub, E. R., "Retrospectives: Lionel W. McKenzie and the Proof of the Existence of a Competitive Equilibrium," *Journal of Economic Perspectives,* v. 25, n. 2, pp. 199 – 215.

II. The Arrow-Debreu Model of Competitive Equilibrium - Definition and Existence

This segment assumes the mathematical background in Starr, *General Equilibrium Theory: An Introduction* (second edition), chaps. 6, 7, 8 (not including sections 8.1 or 8.2), 9. Students should be familiar with the results, but understanding the proofs is not necessary.

A.   An Economy with Bounded Production Technology

•Starr, *General Equilibrium Theory: An Introduction* (second edition), chaps. 10,11, 12, 13, 14.

B. An Economy with Unbounded Production Technology

 •Starr, *General Equilibrium Theory: An Introduction* (second edition), chaps. 15, 16, 17, 18.

C. Additional Readings

*Mas-Colell, Whinston, and Green, Appendix M.I, chap. 17

*Varian, chap. 17, 18

*Kreps, sections 6.1 - 6.4

† Douglas Gale, "Bargaining and Competition Part I: Characterization" *Econometrica*, Vol. 54, No. 4. (Jul., 1986), pp. 785-806.

†Malinvaud, E. *Lectures on Microeconomic Theory*, (1st ed., 1972) chap. 2, sections 1 - 8, chap. 3, sections 1 - 4; or same sections in the Revised edition (1985).

†Cornwall, R. R., *Introduction to the Use of General Equilibrium Analysis*, pp. 1-42.

†Russell, R. and M. Wilkinson, *Microeconomic Theory: A Synthesis of Modern and Neoclassical Microeconomic Theory*, chapters 15 and 16.

†Arrow - Hahn, chapter 2.

†Geanakoplos, J., "Arrow-Debreu Model of General Equilibrium," in Eatwell, Milgate, and Newman, *The New Palgrave: General Equilibrium* (1989).

†Uzawa, H., "Walras' Existence Theorem and Brouwer's Fixed-Point Theorem," *Economic Studies Quarterly*, v. 8, 1962, pp. 59 -62.

III. Efficiency of Competitive Equilibrium, Fundamental Theorems of Welfare Economics

•Starr, *General Equilibrium Theory: An Introduction* (second edition), section 8.1, chapter 19.

*Mas-Colell, Whinston, and Green, Appendix M.G, chap. 16

*Varian, chap. 17, 18

†Cornwall, R. R., *Introduction to the Use of General Equilibrium Analysis*, chapter 4.

†Arrow-Hahn, section 4-4

†Debreu, *Theory of Value*, chapter 6.

†Malinvaud, E. *Lectures on Microeconomic Theory*, (1st ed., 1972 or 2nd ed., 1985) chap. 4.

†Russell, R. and M. Wilkinson, *Microeconomic Theory: A Synthesis of Modern and Neoclassical Microeconomic Theory*, chapter 17.

†Koopmans, T. C., *Three Essays on the State of Economic Science*, essay I, part 2, "Competitive Equilibrium and Pareto Optimality."

IV. Time and Uncertainty -- futures markets

•Starr, *General Equilibrium Theory: An Introduction*(second edition), chap. 20.

•Debreu, G., *Theory of Value*, chapters 2, 7.

*Mas-Colell, Whinston, and Green, chap. 19

*Varian, chap. 19

†Arrow, K.J., "The Role of Securities in the Optimal Allocation of Risk-Bearing," *Review of Economic Studies,* v. 31, pp. 91 -96. Reprinted in Arrow, *Essays in the Theory of Risk-Bearing* .

†Radner, R., "Uncertainty and General Equilibrium," in Eatwell, Milgate, and Newman, *The New Palgrave: General Equilibrium* (1989).

†Geanakoplos, J., "An Introduction to General Equilibrium with Incomplete Asset Markets," *Journal of Mathematical Economics,* v.19, 1990, pp. 1 -38.

† Hahn, F. H., "Equilibrium with Transaction Costs," Econometrica, v. 39, 1971, pp. 417 - 439.

V. Core of a Market Economy

•Starr, *General Equilibrium Theory: An Introduction* (second edition), chaps. 21, 22 (omit section 22.4) .

*Mas-Colell, Whinston, and Green, chap. 18

*Varian, section 21.1

*Kreps, section 8.4

†Cornwall, R. R., *Introduction to the Use of General Equilibrium Analysis*, chap.5

†Debreu, G., and H. Scarf, "A Limit Theorem on the Core of an Economy," *International Economic Review*, v.4, (1963), pp. 235- 246.

†Anderson, R.M., "An elementary core equivalence theorem," *Econometrica*, v. 46, no. 6, (Nov. 1978), pp. 1483 - 1488.

†Ichiishi, T., *Game Theory for Economic Analysis,* sections 5.5, 5.6, and pp. 24, 25.

† Starr, sections 8.2, 22.4.

†Arrow-Hahn, chapter 8.

† Hildenbrand, W., "Cores," in Eatwell, Milgate, and Newman, *The New Palgrave: General Equilibrium* (1989).

† Foley, D. K. , "A Statistical Equilibrium Theory of Markets," *Journal of Economic Theory*, v. 62, 1994, pp. 321 - 345.

<u>Appendix: * material (on economic equilibrium and welfare economics) not included in
this course</u>
Partial Equilibrium, Comparative Statics
    *Mas-Colell, Whinston, and Green, section 10.C. Appendix M.E
    *Varian, sections 13.1 – 13.5, 13.8, 13.11, 13.12
    *Kreps, sections 8.1 - 8.3

A quasi-linear model: Consumer Surplus and Compensation Tests
    *Mas-Colell, Whinston, and Green, chap. 10. Appendix M.E
    *Varian, chaps. 10, 13
    *Kreps, sections 8.1 - 8.3
    *Starrett, *Foundations of Public Economics*, chap. 14

Externalities
    *Varian Ch. 24
    *Mas-Colell, Whinston & Green Ch. 11

Public Goods
    * Feldman, *Welfare Economics and Social Choice Theory*, Ch. 6
    *Varian Ch. 23
    *Mas-Colell, Whinston & Green Ch. 11

Social Welfare Functions and Social Choice Theory
    *Mas-Colell, Whinston & Green 22A-C