

Corrigendum to Starr's

General Equilibrium Theory: An Introduction, Second Edition

Chapter 14, page 150

Following equation (14.9), insert the following text:

There are then two subcases, $\lambda \leq 1$, and $\lambda > 1$. We can show that the case $\lambda > 1$ cannot occur. For the case $\lambda > 1$, equation (14.8) implies $(1 - \lambda)p_k^* \tilde{Z}_k(p^*) \geq 0$ for all $k \in \text{Case 2}$. Since $\lambda > 1$, this results in $\tilde{Z}_k(p^*) \leq 0$ for all $k \in \text{Case 2}$. But there can be no $k' \in \text{Case 2}$ so that $\tilde{Z}_{k'}(p^*) < 0$. If that were to occur, then $p^* \cdot \tilde{Z}(p^*) < 0$ and by the Weak Walras Law $\tilde{Z}_{k''}(p^*) > 0$ for some $k'' \in \text{Case 1}$ or Case 2 . k'' cannot be in Case 1 . But $k'' \in \text{Case 2}$ would imply that the left hand side of (14.8) is negative while the right hand side is positive, a contradiction. Hence in this subcase, we have $\tilde{Z}_k(p^*) = 0$ for all $k \in \text{Case 2}$. Then $\lambda = 1$ and the subcase $\lambda > 1$ leads to a contradiction. Hence the only case to treat is $\lambda \leq 1$.

Continue now with the subcase $\lambda \leq 1$.

End of insert to Chapter 14

Chapter 18, page 189

Following equation (18.9), insert the following text:

There are then two subcases, $\lambda \leq 1$, and $\lambda > 1$. We can show that the case $\lambda > 1$ cannot occur. For the case $\lambda > 1$, equation (18.8) implies $(1 - \lambda)p_k^* \tilde{Z}_k(p^*) \geq 0$ for all $k \in \text{Case 2}$. Since $\lambda > 1$, this results in $\tilde{Z}_k(p^*) \leq 0$ for all $k \in \text{Case 2}$. But there can be no $k' \in \text{Case 2}$ so that $\tilde{Z}_{k'}(p^*) < 0$. If that were to occur, then $p^* \cdot \tilde{Z}(p^*) < 0$ and by the Weak Walras Law $\tilde{Z}_{k''}(p^*) > 0$ for some $k'' \in \text{Case 1}$ or Case 2 . k'' cannot be in Case 1 . But $k'' \in \text{Case 2}$ would imply that the left hand side of (18.8) is negative while the right hand side is positive, a contradiction. Hence in this subcase, we have $\tilde{Z}_k(p^*) = 0$ for all $k \in \text{Case 2}$. Then $\lambda = 1$ and the subcase $\lambda > 1$ leads to a contradiction. Hence the only case to treat is $\lambda \leq 1$.

Continue now with the subcase $\lambda \leq 1$.

End of insert to Chapter 18

Chapter 22, page 272, Problem 22.6, part (a)

THIS PROBLEM IS INCORRECT AS STATED

“(a) At any Pareto efficient allocation, at most one agent will have positive holdings of both goods.” is a false statement.

CORRECTED RESTATEMENT

“(a) At any Pareto efficient allocation, no two agents will retain their endowments.”

End of correction to Chapter 22