ECONOMICS 200B --- MICROECONOMIC THEORY
MARKETS AND WELFARE

The principal text for (most of) the first five weeks of the course is Starr, General Equilibrium Theory: An Introduction. Corrigenda for the first edition is available on the class webpage. Draft chapters for the second edition are available on the class webpage. Use the draft second edition chapters and 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, Arrow and Scitovsky, AEA Readings on Welfare Economics, Laffont, Fundamentals of Public Economics, Feldman, Welfare Economics and Social Choice Theory and additional readings.

Lectures on sections II – V, VII, will parallel the treatment in Starr's General Equilibrium Theory: An Introduction. Please read the designated portion of Starr on each topic before the class meeting on it.

Items shown with a bullet (●) are required reading for Economics 200B. 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. There will be a take-home midterm and take-home final exam.

I. Partial Equilibrium, Comparative Statics, 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
- *Feldman Ch. 7
- *Starrett, Foundations of Public Economics, chap. 14

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

- Starr, General Equilibrium Theory: An Introduction (draft second edition)
  chap. 1
- *Mas-Colell, Whinston, and Green, chap. 15
- *Varian, chap. 17
- †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,
III. Competitive Equilibrium - Definition and Existence

- Starr, draft chapter of the second edition "U-Shaped Cost Curves and Concentrated Preferences"
- *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"


- †Cornwall, R. R., Introduction to the Use of General Equilibrium Analysis, pp. 1-42.
- †Arrow-Hahn, chapter 2.

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

- *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.

V. Time and Uncertainty -- futures markets

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

VI. Why do we do general equilibrium theory and welfare economics?

A. The marginal cost pricing controversy


B. Method

VII. Core of a Market Economy
- Starr, draft chapter for the second edition, "A Large Economy without Replication"
- Varian, section 21.1
- Kreps, section 8.4
- Cornwall, R. R., Introduction to the Use of General Equilibrium Analysis, chap. 5
- Ichiishi, T., Game Theory for Economic Analysis, sections 5.5, 5.6, and pp. 24, 25.
- Arrow-Hahn, chapter 8.

VIII. Social Welfare Functions and Social Choice Theory
- Varian, ch. 17
- Feldman Ch. 9, 10
- Sen, Amartya K., Collective Choice and Social Welfare, chaps. 3, 3*
- Arrow & Scitovsky, AEA Readings on Welfare Economics, Arrow, "A Difficulty in the Concept of Social Welfare"
- Mas-Colell, Whinston & Green Ch. 21
- Mas-Colell, Whinston & Green 22A-C

IX. Externalities
- Varian Ch. 24
- Laffont Ch. 1, secs. 1.1-1.5
- Mas-Colell, Whinston & Green Ch. 11
† Cornwall, R. R., *Introduction to the Use of General Equilibrium Analysis*, chap. 6

X. Public Goods
*Feldman Ch. 6
*Varian Ch. 23
• Laffont Ch. 2, secs. 2.1-2.4; Ch. 3, secs. 3.1-3.3
*Mas-Colell, Whinston & Green Ch. 11

XI. Second-Best Allocation Mechanisms: Equity, Efficiency, and Government Revenue
• Varian Ch. 22
*Mas-Colell, Whinston & Green Ch. 22A-C

XII. The Space of Economies and Equilibria, Computation of Equilibria
*Mas-Colell, Whinston & Green, ch. 17.D, 17.E