Preliminary --- Subject to Change

ECONOMICS 200B --- MICROECONOMIC THEORY
MARKETS AND WELFARE

Course website:  http://www.econ.ucsd.edu/~rstarr/Winter2008200B/


Lectures on sections I, III, IV, VI, and 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 and •-designated material are both assigned for Econ 200B. They are fair game in problem sets and exams. 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 a take-home final exam.

I. 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,

II. Partial Equilibrium, Comparative Statics

*Mas-Colell, Whinston, and Green, section 10.C. Appendix M.E
*Kreps, sections 8.1 - 8.3

III. Competitive Equilibrium - Definition and Existence

*Starr, draft chapter of the second edition "U-Shaped Cost Curves and Concentrated Preferences"
* Arrow-Hahn, chap. 7, appendix B.4.
* Mas-Colell, Whinston, and Green, Appendix M.I, chap. 17
* Varian, chap. 17, 18
* Kreps, sections 6.1 - 6.4
† 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
†Arrow-Hahn, section 4-4

V. 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

VI. Time and Uncertainty -- futures markets
•Starr, General Equilibrium Theory: An Introduction (draft second edition), chap. 15.
  •Debreu, G., Theory of Value, chapters 2, 7.
  *Mas-Colell, Whinston, and Green, chap. 19
  *Varian, chap. 19

VII. Core of a Market Economy
•Starr, General Equilibrium Theory: An Introduction (draft second edition), chaps. 13, 14, section 2.9.
  •Ichiishi, T., Game Theory for Economic Analysis, sections 5.5, 5.6, and pp. 24, 25.
  *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
†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**
- Laffont Ch. 1, secs. 1.1-1.5
- Varian Ch. 24
- Mas-Colell, Whinston & Green Ch. 11
†Cornwall, R. R., *Introduction to the Use of General Equilibrium Analysis*, chap. 6

**X. Public Goods**
- Laffont Ch. 2, secs. 2.1-2.4; Ch. 3, secs. 3.1-3.3
- Feldman Ch. 6
- Varian Ch. 23
- 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


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

A. The marginal cost pricing controversy


B. Method