Preliminary --- Subject to Change

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 I, III – VI 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. 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.
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"
  - 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. Time and Uncertainty -- futures markets

  - Debreu, G., Theory of Value, chapters 2, 7.
  - Mas-Colell, Whinston, and Green, chap. 19
  - Varian, chap. 19

VI. Core of a Market Economy

  - 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.
VII. 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*
  - Mas-Colell, Whinston & Green Ch. 21
*Mas-Colell, Whinston & Green 22A-C

VIII. 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

IX. 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

X. 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

XI. Second-Best Allocation Mechanisms: Equity, Efficiency, and Government Revenue
- Varian Ch. 22
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


† Hahn, F.H., *On the Notion of Equilibrium in Economics*.


† McKenzie, L.W., "General Equilibrium," *The New Palgrave*.