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