



Academic course: 2011/2012

Department of Economics

Compulsory
ECTS credits: 5
Course: 1 °
Semester: 2°

Course director: DIEGO MORENO RUIZ

Class Schedule: Feb. 21-April 15, Tuesdays and Fridays from 3:00 to 5:00 p.m., room 14.0.07.

Office Hours: by appointment.

TA: Georgi Kocharkov

Recitation Sessions: March 4 (Exercise Set 1), March 18 (Exercise Set 2), April 1 (Exercise Set 3) and April 15 (Exercise Set 4), from 3:00 to 5:00 p.m., room 14.0.07.

Office Hours: by appointment.

COURSE DESCRIPTION: The theme of the course is the analysis of the outcomes generated in a market economy. The course covers the main topics of General Equilibrium Theory and Welfare Economics.

TEXTBOOK: A. Mas-Colell, M. Whinston and J.Green, Microeconomic Theory, Oxford UP 1995. (MWG).

OTHER GENERAL REFERENCES:

K. Arrow, and F. Hand, General Competitive Analysis, Holden Day 1971. (AH)

G. Debreu, Theory of Value, Cowles Foundation 1959. (D)

B. Ellickson, Competitive Equilibrium: Theory and Applications, Cambridge 1993.

W. Hildenbrand y A. Kirman, Introduction to Equilibrium Analysis, North Holland.

G. Jehle, and P. Reny, Advanced Microeconomic Theory, Second Edition, Prentice-Hall 2000. (JR)

D. Kreps, A course in Microeconomic Theory, Princeton U Press.

J.-J. Laffont, Fundamentals of Public Economics, MIT Press. (L)

H. Varian, Microeconomic Analysis, Norton 1992.

COURSE OUTLINE AND READINGS:

1. General Equilibrium Theory (MWG 15, AH 1, D 2&5)

[R. Radford, The economic organization of a POW camp, *Economica*, 1945.](#)

2. The Positive Theory of Equilibrium (MWG 17, AH 2, JR 5)

3. Equilibrium and Welfare (MWG 16, D 6, JR 6)

4. Foundations of Competitive Equilibrium: Recontracting Equilibrium (MWG 18, JR 5.4)

[G. Debreu and H. Scarf, A limit theorem on the core of an economy, *IER* 1963.](#)

[R. Aumann, Markets with a continuum of traders, *Econometrica* 1964.](#)

5. General Equilibrium under Uncertainty (MWG 19, D 7)

[K. Arrow, The role of securities in the optimal allocation of risk-bearing, *RES* 1964.](#)

[E. Einy, D Moreno and B Shitovitz, Competitive and core allocations in large economies with differential information, *ET* 2001.](#)

6. Market Failures: Externalities, Public Goods, Asymmetric Information (MWG 11, L 1 &2)

[G. Akerlof, The market for lemons: quality uncertainty and ..., *QJE*, 1970.](#)

[R. Coase, The problem of social cost, *Journal of Law and Economics*, 1960.](#)

[P. Samuelson, The pure theory of public expenditure, *R. of Eco and Stat*, 1954.](#)

[M. Walker, A simple incentive compatible ... Lindahl allocations, *Econometrica* 1981.](#)