

Social Science 205b

Winter 2003-2004

Foundations of Economics

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The following provides an outline of the topics we will be sampling from in the next ten weeks.

There are several textbooks that you may consult for background readings on most of these subjects. They are:

Microeconomic Theory, Andreu Mas-Colell, Michael Whinston, and Jerry Green, Oxford University Press, 1995.

A Course in Microeconomic Theory, David Kreps Princeton University Press, 1990.

Microeconomic Analysis, Hal Varian, Norton Press, 1978.

Cooperative Microeconomics, Hervé Moulin, Princeton University Press, 1995.

I believe that you each have access to the text by Mas-Colell, Whinston, and Green, (henceforth MWG). That is the only required text.

The texts above have very different styles and so if you find MWG impenetrable at times, you may benefit from consulting one of the other texts, me, or your classmates for enlightenment. MWG provides the most comprehensive treatment of most of the topics (e.g., general equilibrium theory) that we will cover in this segment of the 205 sequence. In each of the topics below I list the appropriate chapters from each text.

Syllabus

General Equilibrium

1. *Introduction: General versus Partial Equilibrium, Pure Exchange, Production.*

MWG 15, Kreps 6.1 and 8.3, Varian 5.1-5.3, 6.1.

2. *Existence of Walrasian Equilibria and their Properties: Fixed Points, First and Second Welfare Theorems.*

MWG 16, Kreps 6.3-6.4 and 8.4, Varian 5.4-5.9.

3. *Extensions and Applications: Incorporating Uncertainty, Financial Assets, Infinite Horizons and Many Commodities.*

MWG 19 and 20, Kreps 6.5, Varian 6.2-6.4.

4. *Justification and Approximation: Core Convergence, Uniqueness and Determination, Tatonnement Processes.*

MWG 17 and 18, Kreps 6.2, Varian 6.5-6.10.

Other Considerations and Markets with Prices

1. *Core and Matching; Fairness, Stand Alone, and Monotonicity Properties.*

Moulin, Chapters 4, 5.

Market Imperfections

1. *Public Goods and Externalities.*

MWG 11, Kreps 5.4, 8.4 and 18.3, Varian 7.

2. *Information Asymmetries: Moral Hazard and the Principal-Agent Problem.*

MWG 14, Kreps 16, Varian 8.4

3. *Information Asymmetries: Adverse Selection, Signaling.*

MWG 13, Kreps 17, Varian 8.1-8.3.