

Microeconomic Theory III (ECON 603)
Winter 2007

Instructor: Yusufcan Masatlioglu
Lectures: T-TH 10:00-11:30 AM in 173 Lorch Hall
Office Hours: T-TH, 3:00 to 5:00 PM and when needed.

Suggested Textbooks:

- Mas-Colell, Whinston and Green, *Microeconomic Theory*, Oxford, 1995.
- Debreu *Theory of Value*, Yale, 1959.
- Varian *Microeconomic Analysis*, Norton, 1992
- Starr *General Equilibrium Theory: An Introduction*, Cambridge, 1997.
- Jehle and Reny, *Advanced Microeconomic Theory*, Addison-Wesley, 2001.

Brief Description and Aim:

Summary This course will cover the modern general equilibrium theory along with applications and extensions.

- Planning problems
- Prove the classical existence, welfare theorems
- Examine non-convexities, properties of aggregate excess demand,
- Circumstances where competitive markets are inefficient: Externalities and Public goods
- General equilibrium under uncertainty, the Arrow-Debreu model of contingent commodities

These topics are relevant to the foundations of macroeconomics and finance. The course concludes with an introduction to public economics theory, which analyzes market failures.

I highly recommend you to study for this course on a daily basis to produce the best outcome. Doing assigned exercises is essential for your success. Since each topic is built on preceding topics, make sure that you understand the core of the material before we move to the next topic. Do not hesitate to contact me and/or your GSI for your questions.

Organization and Grading:

- Quizzes 30%
- Homework 30%
- Final 40%

Syllabus:

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| Basics and Introduction | <ul style="list-style-type: none">• Historical Background;• Robinson Crusoe;• Pareto Optimality and Competitive Equilibria;• The Edgeworth Box;• Partial Equilibrium. |
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| Basics of GE Theory | <ul style="list-style-type: none">• General Equilibrium;• Welfare Theorems. |
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| Market Failure | <ul style="list-style-type: none">• Externalities: How non-market interactions affect markets,• Basic Theory: What is the optimal level of public good provision?• Lindahl Pricing: How could markets price public goods? |
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| Uncertainty | <ul style="list-style-type: none">• State-Contingent Commodities and Contingent Claims• Arrow-Debreu Equilibrium for Exchange Economies• Arrow Securities• Radner Equilibrium |
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