

Economics 603
Microeconomic Analysis

Spring 2012

General Equilibrium – Part II

Instructor:	Harvey Lapan	283 Heady Hall (294-5971)	hlapan@iastate.edu
T.A.:	Jingbo Cui	280D Heady Hall (294-2177)	jbcui@iastate.edu
Classes:	Lectures	M and W 1:10 pm- 3:00 pm	Heady Hall 272
	Discussion	F 3:10 – 5:00 pm	Heady Hall 272

Office hours: Lapan M and W 10:00 am - Noon
(feel free to come to my office anytime or to make an appointment for another time)
Cui T and Th 1:00-3:00 pm and by appointment

Grades: 10% problem sets
90% final exam (covering general equilibrium)

Prof. Rosenblat taught the first half of the class (game theory). Your grade for each half will be weighted equally. Prof. Rosenblat and I will jointly determine your final grade based upon your grade for each half of the course.

Homework:

Homework will be handed out in class and should be submitted to Mr. Cui by 10 am on Friday. You may work with other students, but the work submitted should be your own and not a copy of someone else's work.

Exam:

The exam for my part of the course will be during final week.

Website: You can access past exams either through blackboard, econ 603, or through <http://www2.econ.iastate.edu/classes/econ603/lapan/index.htm>

Required textbook:

Mas-Colell, Whinston and Green, *Microeconomic Theory*, Oxford University Press, 1995.

Other Reference Books for general equilibrium:

Arrow & Hahn, *General Competitive Analysis*, San Francisco, Holden-Day, 1971.

Jehle, G.A., & P.J. Reny, *Advanced Microeconomic Theory*, Addison-Wesley, 2001 (2nd ed.)

Varian, H., *Microeconomic Analysis*, Norton, 1992 (3rd ed.)

Note: Books are on reserve in the main library. The articles listed are available through JSTOR (<http://www.jstor.org/cgi-bin/jstor/listjournal#Economics>).

“Any student who feels s/he may need an accommodation based on the impact of a disability should contact me privately to discuss your specific needs. Please contact the Disability Resources Office at 515-294-6624 in room 1076, Student Services Building to coordinate reasonable accommodations for students with documented disabilities.”

Outline and Reading List – General Equilibrium

- I. **General Equilibrium Analysis - Exchange Economy**
Mas-Colell, Whinston and Green, Chapter 15, pp. 515-524
Arrow & Hahn, Chapter 4
Varian, Chapter 17
- II. **Fundamental Welfare Theorems**
Mas-Colell, Whinston and Green, Chapter 16
Varian, Chapters 17 & 18
Duffie & Sonnenschein, “Arrow and General Equilibrium Theory”, Journal of Economic Literature, 1989, 576-83
- III. **General Equilibrium Analysis - Existence in a Production Economy**
Mas-Colell, Whinston and Green, Chapter 15, 525-540; Chapter 17, 578-588.
Jehle & Reny, Chapter 7
Arrow & Hahn, Chapters. 2, 3 & 5.
Varian, Chapter 18
- IV. **Welfare Analysis: Public Goods, Externalities and Market Failures**
Mas-Colell, Whinston and Green, Chapter 10, pp. 311-334.
Mas-Colell, Whinston and Green, Chapter 11
Varian, Chapters 23 & 24
Lipsey and Lancaster, "The General Theory of Second Best", Review of Economic Studies, Vol. 24, 1956-57, pp. 11-32.
Davis and Whinston, "Welfare Economics and the Theory of Second Best", Review of Economic Studies, Vol. 32, Jan. 1965, pp. 1-14.
- V. **General Equilibrium: Uncertainty and Time**
Varian, Chapters 19 & 20
Mas-Colell, Whinston and Green, Chapter 19 (pp. 687-708) & Chapter 20 (pp. 732-753)
Duffie & Sonnenschein, “Arrow and General Equilibrium Theory”, Journal of Economic Literature, 1989, 584-94
Arrow, “The Role of Securities in the Optimal Allocation of Risk-Bearing”, Review of Economic Studies, 1964, 91-96, in Arrow, Essays on the Theory of Risk Bearing.
- VI. **Social Choice and Welfare**
Mas-Colell, Whinston and Green, Chapter 21.
Varian, Chapter 22.
Jehle & Reny, Chapter 8.
- VII. **Equilibrium Analysis (Core, Nonconvexity, Uniqueness)**
Mas-Colell, Whinston and Green, Chapter 17 (606-630) and Chapter 18 (pp. 652-660).
Arrow & Hahn, Chapters 7-9.
Varian, Chapter 21.