
Microeconomics, Block I

SYLLABUS

Information at a glance

Course: Microeconomics, Block I
<http://www2.dse.unibo.it/pietra/>.

Purpose of course. The course will examine individual choices and competitive markets. More specifically we will consider the choice of problem of consumers and producers, analyze the properties of individual and aggregate demand functions and then the equilibria of economies where all markets are competitive. In the final part of the course we will discuss competitive markets under uncertainty, with sequential trades and asset markets.

Prerequisites. You are expected to be familiar with the material covered in a standard intermediate microeconomics course (as in Varian, *Intermediate Microeconomics* (1999)).

Outline.

1. Single Agent Choice Theory:

(a) Consumer theory

- Consumption set and budget set
- Consumer preferences and utility
- Consumer choice
- Properties of individual demand function
- Duality

(b) Producer Theory

- Production sets
- Producer choice

2. Aggregation

- Properties of aggregate vs. individual demand (when does a representative consumer exist?)

3. Competitive Equilibrium

- Feasible allocations. Pareto efficient allocations.
- Competitive equilibria: definition
- Welfare properties of competitive equilibria
 - The First and the Second Welfare Theorems
 - Gains from trade
- Existence of competitive equilibria
- Uniqueness of competitive equilibria
- Comparative statics analysis

4. General Equilibrium Under Uncertainty

- Contingent commodities
- Sequential trades and securities' markets
- Complete and incomplete markets

Teaching method. There will be ten two-hour lectures and five classes.

Examination policy. The grading will be based on the final written exam and the homework assignments. There will be 5 problem sets. Cooperation on the assignments is encouraged, but they should be written up individually.

Reading material

The main textbook for the class is:

A. Mas-Colell, M.D. Whinston and J.R. Green (1995), *Microeconomic Theory*, Oxford University Press. [Chapters 1–5, 15–16, 17(part), 19]

Other references:

H. Varian (1984), *Microeconomic Analysis*, Norton, 2nd edition

A. Rubinstein (2007), *Lecture Notes in Microeconomic Theory*, Princeton University Press (available at <http://arielrubinstein.tau.ac.il/Rubinstein2007.pdf>)