

European University Institute
Microeconomics, Block II
Tito Pietra
Academic Year 2013-14

Course: Microeconomics, Block I

Web Site: <http://www2.dse.unibo.it/pietra/>

password and loginname: uniboclef

Professor: Tito Pietra (email: tito.pietra@unibo.it)

TA Pawel Doligalski (email: Pawel.Doligalski@EUI.eu)

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)).

Teaching method

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

Examination policy

The grading will be based on the final written exam. Part of the exam will be taken directly out of the home-work assignments. There will be 5 problem sets.

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:

G.A. Jehle, P.J. Reny (2011), *Advanced Microeconomic Theory*, III ed., Prentice Hall.

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

The complete set (and final version...) of the class slides will be available on my website before classes will start.

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

(c) Aggregation

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

2. 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

3. General Equilibrium Under Uncertainty

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