

Microeconomics - Block I

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The team:

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Purpose of course. The course will examine individual choices and competitive markets. More specifically, we will analyze the choice problem of consumers and firms, determine the properties of individual and aggregate demand functions and examine then the equilibria of economies where all markets are competitive. In the final part of the course we will consider competitive markets under uncertainty, where there are also markets for financial securities and markets open at different points in time.

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
 - * Choice, preference, utility
 - * Consumer preferences and (Walrasian) budget sets
 - * Utility maximization and Walrasian demand
 - * Expenditure minimization and Hicksian demand
 - * Duality
 - b) Producer Theory
 - * Production sets
 - * Producer choice
2. Competitive Equilibrium

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

3. General Equilibrium Under Uncertainty

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

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

Exam. The grading will be based primarily on the final written exam. There will be 5 homework assignments. The grade on the homeworks will be taken into account in the determination of the final grade, especially in marginal cases. Cooperation on the assignments is encouraged, but they should be written up individually. Reading material

Reading material

The main references

- A. Mas-Colell, M.D. Whinston and J.R. Green (1995), *Microeconomic Theory*, Oxford University Press. [Chapters 1-5, 15-18]
- D.M. Kreps (2013), *Microeconomic Foundations I*, Princeton University Press.
- A. Rubinstein (2011), *Lecture Notes in Microeconomic Theory*, Princeton University Press (available at <http://arielrubinstein.tau.ac.il/Rubinstein2007.pdf>)

Other references

- H. Varian (1984), *Microeconomic Analysis*, Norton, 2nd edition
- G.A. Jehle and P.J. Reny (2011), *Advanced Microeconomic Theory*, 3rd edition, Prentice