

-IDEA-

Microeconomics II

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2006-2007

Course Description

This course introduces the microeconomic theory of General Equilibrium Analysis and its applications and extensions. Other topics that are standard to the modern microeconomic analysis such as social choice, market failures, and information economics are also introduced in this course. After the successful completion of the course, the student should have a clear picture and a rigorous understanding of the market mechanism and its properties. Also, the student should have acquired enough analytic skills to formulate questions and produce answers in a rigorous and formal manner

Course Contents

Introduction

1. General Equilibrium Theory (*4 weeks*)
 - 1.1. Equilibrium in Exchange Economies
 - 1.2. Equilibrium in Perfectly Competitive Economies
 - 1.3. Equilibrium in Production
 - 1.4. Core and Equilibria
2. Social Choice and Welfare Economics (*2 weeks*)
 - 2.1. Arrow's Impossibility Theorem
 - 2.2. Restricted Domains
 - 2.3. Social Choice Functions
3. Partial Equilibrium under Imperfect Competition (*2 weeks*)
 - 3.1. Cournot Competition
 - 3.2. Bertrand Competition
 - 3.3. Stackelberg Competition
 - 3.4. Monopolistic Competition

4. Externalities and Public Goods (*3 weeks*)
 - 4.1. Bilateral externalities: The inefficiency of equilibrium
 - 4.2. Classical solutions, property rights, and missing markets
 - 4.3. Public Goods: The inefficiency of private provision
 - 4.4. Lindahl Equilibrium

5. Information Economics (*3 weeks*)
 - 5.1. Adverse Selection
 - 5.2. Moral Hazard

References

- JEHLLE, G.A., RENY, P.J., *Advanced Microeconomic Theory*, Addison Wesley (2nd edition), 2001.
- MAS-COLELL, A., WHINSTON, M.D., GREEN, J., *Microeconomic Theory*, Oxford University Press, 1995.
- TAKAYAMA, A., *Mathematical Economics*, Cambridge University Press (2nd edition), 1996.
- DEBREU, G., *Theory of Value*, Yale University Press, 1959.
- VARIAN, H., *Microeconomic Analysis*, Norton (3rd. edition), 1992.

Grading Policy

Problem Sets will be regularly distributed, collected on the due date, and graded. At the end of the course a Final Exam will take place. The Final Grade for the course will be based upon the grades on the Problem Sets (20%) and your score on the Final Exam (80%)

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