

Ec 703 Microeconomic Theory, Part 1; Spring 2008

This course is the continuation of Ec701 from the previous semester. It will cover general equilibrium theory, uncertainty, asymmetric information, incentives and mechanism design. The first part up to the midterm exam will be taught by Dilip Mookherjee and will cover classical general equilibrium theory: theorems of welfare economics; existence and uniqueness of Walrasian equilibrium, and equilibrium with uncertainty.

The same textbook as in Ec701 will be used:

A. Mas-Colell, M. Whinston and J. Green, *Microeconomic Theory*, Oxford University Press.

There will also be weekly problem sets. These will not directly count towards the grade, but will be used when you are borderline between two grades based on exam performance. More importantly the problem sets are an essential adjunct to the lecture material, and will assist you in preparing for the exams. They will help you, me and the TA to identify how well you are following the material. It is therefore essential that you work on the assigned problems **on your own** and turn them in to the TA on time. Every Friday you will have a discussion session with the TA, who will go over the solutions to the problem sets and any other class material you need help with. Some weeks we may have additional lecture sessions in case we are falling behind schedule.

Topics (section numbers of textbook in parentheses):

1. *Theorems of Welfare Economics (Sessions 1–3)*

The First Welfare Theorem (16A–C)

The Second Welfare Theorem (16D)

Social Welfare Optima; Public Goods and Externalities (16E, G)

2. *The Positive Theory of Competitive Equilibrium: (Sessions 4–8)*

Existence (17B,C,I)

Uniqueness (17D,E,F (suitable parts))

3. *Competitive Equilibrium with Uncertainty: (Sessions 9–13)*

Pareto-Optimal Risk-Sharing and Arrow-Debreu Markets (19A–C)

Incomplete markets and Financial Assets: Radner equilibrium (19D–E)

REVIEW; MIDTERM EXAM