

GENERAL EQUILIBRIUM AND WELFARE

This is a module in the graduate sequence in microeconomic theory. It builds on the analysis of optimization covered in the Fall by looking at the interaction of optimizing agents in a perfectly competitive setting.

Class meetings: MAT 18 – M W – 4:05 – 6:00 pm (9th & 10th periods)
January 4 to February 24

Text: Mas-Colell, Green, and Whinston, *Microeconomic Theory*, Oxford

- (1) Introduction to Welfare and Equilibrium: Chapter 10
- (2) Simple Models of Exchange and Production: Chapter 15
- (3) General Model: Chapters 16, 17 (a – c)
- (4) Social Welfare Functions:

Samuelson, “*Social Indifference Curves*,” QJE, 1956, 1-22.

Panzar & Willig, “*Vindication of a “Common Mistake” in Welfare Economics*,” JPE, Dec. 76, pp. 1361-1363

- (5) Core and Competitive Equilibrium: Chapter 18 (b & c)
- (6) Uniqueness and Stability: Chapter 17 (d – h),
- (7) Applications – Externalities and Public Goods: Chapter 11 (a – d)

Samuelson, “*The Pure Theory of Public Expenditure*,” ReStat 36; 1954, pp. 387-389

Hamilton, Sheshinski, and Slutsky, “*Production Externalities and Long-Run Equilibria: Bargaining and Pigovian Taxation*,” Economic Inquiry, Vol. 27, July 1989, pp. 453-471