

BOSTON COLLEGE
Department of Economics
EC 741.01
Microeconomic Theory II

This course is divided into two unequal-sized modules. I shall teach the first module, constituting $\frac{1}{3}$ of the course, which will cover general equilibrium theory. Prof. Bai will teach the second module, constituting $\frac{2}{3}$ of the course, which will deal with game theory and the economics of information.

The grade in the course will be determined as $G = \frac{1}{3} G_A + \frac{2}{3} G_B$ using obvious notation. The grade in my module will be determined as follows:

Problem sets	20%
Mid-module exam	20%
Module final exam	60%

Prof. Bai will inform you of the grading scheme in his module.

In the general equilibrium module, there will be 14 lectures. The mid-module exam will be held in class on Friday, January 31. The module final exam will be held on Saturday, February 15, 10:00 a.m. - 12:30 p.m.

My office hours will be Friday 3:00 - 4:30 p.m. My office is Carney 231 and my telephone number is 2-3674. I shall also be informally available Wednesday and Friday 4:30 - 6:00 p.m.

The graduate assistant for the course is Metin Celebi.

Arrangements for problems. I shall hand out a problem set every Wednesday. Please put your problem set answers in Metin's box by the following Tuesday noon (no late problem sets accepted). Metin will return the graded problem sets and review the problems in the problem session the next day. Problem sessions will be held Wednesday 3:00-4:30 p.m. in Carney 11. The first problem session, which will be held tomorrow (January 15), will provide an introduction to MATHEMATICA rather than review a problem set. You are encouraged to work on problems with other students. But you must write up your answers by yourself. To do otherwise will be viewed as a form of academic dishonesty.

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GE Module
Organization of Lectures

- 1 Jan. 14 Intro. to g.e.
- 2 Jan. 15 Intro. to g.e. model w/exchange
- 3 Jan. 17 Ch. 17 through 17.4
- 4 Jan. 21 Review and proof of existence, 17.5
- 5 Jan. 22 Pareto eff. and First Welfare Theorem, 17.6
- 6 Jan. 24 Second Welfare Theorem, 17.7
- 7 Jan. 28 Convexity and size; uniqueness
General eq. dynamics, 21.2-6
- 8 Jan. 29 Intro. to g.e. model w/production
(Jan. 31 mid-module exam on lectures 1-7)
- 9 Feb. 4 General eq. w/prod., Non-subst. Th., 18.1-18.6
- 10 Feb. 5 General eq. tax incidence
- 11 Feb. 7 Theory of second best
- 12 Feb. 11 G.e. with uncertainty, 19.5
- 13 Feb. 12 G.e. over time, 19.4
- 14 Feb. 14 G.e. with transport costs, Review.

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Reading List

Text: Hal Varian, Microeconomic Analysis, 3rd. edition, 1992.

Required readings are designated with a *

- I. Review of Edgeworth-Bowley Box Analysis
- II. Competitive Equilibrium Theory: Static General Equilibrium under Certainty
 - * Varian, Chs. 17, 18, 21
 - G. Debreu, Theory of Value, Chs. 1-6
 - E. Malinvand, Lectures on Microeconomic Theory, Chs. 1-5
 - K. Arrow and F. Hahn, General Competitive Analysis
 - K. Binmore, Mathematic Analysis: A Straightforward Approach, 2nd ed.
 - W. Rudin, Principles of Mathematical Analysis
 - A. Mas-Colell, M. Whinston, and J. Green, Microeconomic Theory, Chs. (4, 10) 15-18 (MWG hereafter)
- III. Competitive Equilibrium Theory: General Equilibrium, Time and Uncertainty
 - * Varian, Ch. 19
 - Debreu, Ch. 7
 - Malinvand, Chs. 10, 11
 - MWG, Chs. 19, 20
- IV. Welfare Economics
 - * Varian, Chs. 22-24
 - Malinvand, Ch. 9
 - MWG, Chs. (21, 22)

Some sections will only be skimmed. I shall decide which as I proceed.