Micro 3

Presentation: In Micro 3 we complete the presentation of microeconomic theory begun in Micro 2. The topics in Micro 3 provide the microeconomic foundations for a host of theoretical and applied courses at the Master’s level, including applied microeconomics (trade theory, tax policy, public economics, and environmental economics) and financial economics (macro finance, theory of finance, and corporate finance).

Topics:
General Equilibrium
  - Revealed preferences
  - Equilibrium and welfare in exchange economies
  - Equilibrium in production economies
Imperfections
  - Public goods
  - Externalities
  - Externalities in a production economy
The Arrow-Debreu model
  - Equilibrium over time
  - Financial assets
  - Equilibrium under uncertainty
Aggregate demand

Evaluation: A one week project, to be completed in groups, and a two-hour closed book exam.

Prerequisites: Micro 2.

Micro 3: Equilibrium and Market Imperfections, Spring 2004

General equilibrium (5 weeks)
1) Revealed preference Varian I: ch. 7

2-4) Equilibrium and welfare in an exchange economy (3 weeks) Varian II: ch. 17

5) Equilibrium in a production economy Varian II: ch. 18

Imperfections (3 weeks)
6) Public goods Varian II: ch. 23

7) Externalities Varian II: ch. 24

8) Externalities in a production economy PS note

Project (2 weeks)
9) Introduction

10) No teaching due to project

Arrow-Debreu Model (3 weeks)
11) Equilibrium over time Varian II: ch. 19

12) Equilibrium under uncertainty and financial assets Varian II: ch. 20

13) Equilibrium under uncertainty CKN note

Demand (1 week)
14) Aggregate demand Varian II: ch. 9

15) Conclusion and questions

Reading list


Possibly additional notes and/or a few articles.