Brown University
Economics 2050, Microeconomics I

Fall 2012

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Teaching Assistant: Mert Kimya

General References

The primary reference is:


Another reference, which we shall also use in the second part of the course, is:


A reference alternative to Mas-Colell et al, but much more compressed, is:


Finally, classic references for your microtheory personal library are:


Syllabus

1. Classical Consumer and Producer Theories (Mas-Colell et al.’s Chapters 2-5):
   - Choice-based consumer theory and the weak axiom of revealed preference.
   - Preference-based consumer theory and utility.
   - Duality.
   - Aggregation.
   - Producer theory.

2. General Equilibrium, Welfare Economics, Social Choice and Implementation (Mas-Colell et al.’s Chapters 10, 15-17, 19, 21 and 23; see also Feldman and Serrano’s Chapters 2-6 and 13-15):
   - General equilibrium: exchange and production.
   - Equilibrium, efficiency and the core: the welfare theorems.
   - Existence of equilibrium.
   - Local uniqueness and regular economies.
   - Arbitrary aggregate excess demand and uniqueness of equilibrium.
   - General equilibrium under uncertainty.
   - Social choice.
   - Mechanism design and implementation.
List of Topics in each Lecture


Class 2: Comparative statics of demand. Wealth and price effects. The matrix of price effects. Restrictions on wealth and price effects: Euler’s condition, Engel and Cournot aggregation conditions. The weak axiom of revealed preference (WARP).

Class 3: Implications of WARP. The compensated law of demand. Substitution effects. Differentiable version of the compensated law of demand: the negative semidefiniteness of the Slutsky matrix and the Slutsky equation. Is the Slutsky matrix symmetric? The singularity of the Slutsky matrix. WARP and preference maximization.

Class 4: Classical preference-based demand theory. The preference relation and its properties. Completeness, transitivity, desirability and convexity properties.

Class 5: Utility representation of preferences. Continuous preference relations and representability.


Class 8: Relationship between the expenditure and the indirect utility functions. The Hicksian or compensated demand correspondence. Properties of the compensated demand. Hicksian demand and the compensated law of demand. The Slutsky matrix when derived from preference maximization. Substitution effects revisited. The negative semidefiniteness, symmetry and singularity of the Slutsky substitution matrix. Relation between Walrasian demand and the indirect utility function: Roy’s identity.
Class 9: Integrability. Recovering the expenditure function from demand. Recovering preferences from the expenditure function. The strong axiom of revealed preference (SARP).


Midterm exam: Monday October 15, 10:30 a.m. - 12:00 noon.

Class 11: Producer theory. Production sets and their properties. The profit maximization problem. The supply correspondence and the profit function. The single output case: production function and conditions for profit maximization.


Class 14: The first welfare theorem. Price equilibrium with transfers. The importance of local non-satiation for the first welfare theorem. The strong version of the first welfare theorem: the market and the “jungle.”

Class 15: The second welfare theorem. Price quasiequilibrium with transfers. The importance of convexity to establish that any Pareto efficient allocation can be supported by a price quasiequilibrium with transfers. Positive wealth and the relationship between price quasiequilibria and price equilibria. The core convergence theorem.
Class 16: Existence of Equilibrium. The equilibrium as the zero of a system of equations. Properties of the aggregate excess demand. A graphic existence proof based on the intermediate value theorem. The equilibrium as a fixed point. Proof of existence based on Brouwer’s fixed point theorem.


Class 18: Uniqueness of equilibrium. WARP in the aggregate. Why WARP in the aggregate is now an even stronger condition (wealth distribution as a function of prices). The gross substitutes property. Comparative statics and stability of equilibrium.


Final exam: Friday December 14, 2:00 p.m. - 5:00 p.m.