

(ECON-705) General Equilibrium and Welfare Economics

Course Description

This course aims to give students an opportunity to learn mathematical techniques and recent topics in general equilibrium theory. The main topics include, Basic ingredients of general equilibrium theory, Fundamental theorems of welfare economics, Existence of Walrasian equilibria, Regular economy, Incomplete financial markets and constrained efficiency, The nature of general equilibrium analysis, General Equilibrium Theory: Multi market equilibrium in a competitive setting; Walras Law; Existence of equilibrium; Stability of equilibrium; Money in a general equilibrium setting. Technical and allocative efficiency and case of exchange economy. Linear programming technique to general equilibrium theory (Activity Analysis). The Von-Neumann Model of an expanding economy, the input-output Model. Pareto principle, optional, production and resource allocation and efficiency of Perfect Competition. Measurement of Changes in Welfare: Consumer Surplus, Compensation Principle. The Theory of Social Choice: Social welfare function, Arrow's Impossibility Theorem, Marginal cost pricing, Joint Products, Externalities, Income distribution and compensation principles. Theory of second best and its application in Public Sector and international trade.

Recommended Books

Yves Balasko (1988) *Foundations of the Theory of General Equilibrium*, Academic Press. Gerard Debreu, *Theory of Value*, John Wiley and Sons.

Werner Hildenbrand (1974) *Core and Equilibria of a Large Economy*, Princeton University Press.

Michael Magill and Martine Quinzii, (1996) *Theory of Incomplete Markets*, MIT Press.

Andreu Mas-Colell, *The Theory of General Economic Equilibrium: A Differentiable Approach*, Cambridge University Press.

Andreu Mas-Colell, Michael D. Whinston, and Jerry R. Green (1995) *Microeconomic Theory*, Oxford University Press