

12M002

6 ECTS

## Foundations of Equilibrium Analysis

### Overview and Objectives

The first part of the course covers the very basics of consumer theory under certainty and derives conditions under which aggregation can be done through a representative consumer. We then analyze choice under uncertainty and over time, followed by an introduction to strategic behavior with some macroeconomic applications.

The second part of the course is devoted to general equilibrium models and the pricing of risk and time. We study how several markets clear simultaneously and derive welfare properties under various market conditions. This leads naturally to applications in Financial Economics.

### Course Outline

#### PART 1

Ch 1 Choice and Preferences

Ch 2 Demand Theory

Ch 3 Aggregation

Ch 4 Choice under Uncertainty and over Time

Ch 5 Game Theoretical Models of Strategic Behavior and Applications

#### PART 2

Ch 6 General Equilibrium

Ch 7 Welfare and the Optimum

Ch 8 Equilibrium Interest Rates

Ch 9 Markets for Risk

Ch 10 The Representative Agent

Ch 11 Market failure

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### Required Activities

### Evaluation

The grade is based on a final exam and a series of problem sets.

### Materials

Mas-Colell, A., M.D. Whinston and J.R. Green (1995),  
Microeconomic Theory, Oxford University Press.

Gollier, C. (2001), The Economics of Risk and Time,  
MIT Press.

Varian, H.R. (1992), Microeconomic Analysis, No.