This course focuses on General Equilibrium—the study of interactions between the optimizing decisions of “small” firms and households. General Equilibrium theory provides a powerful and elegant conceptual framework for the normative and positive analysis of an entire economy, albeit at the cost of stringent assumptions about technology, preferences, and agents’ expectations.

LOGISTICS. Class: Tue, Thu 1:00p-2:50p on Zoom. Your TAs are Miguel Santana and Tomer Yehoshua-Sandak. We are going to have two TA sections. Everybody should attend the one on Friday, 3p-4:50p. In addition, if you feel you need extra help with the material, or have questions, you can also attend the “extra-help” section on Monday, 2-3:50p. (Both TA sessions will be on Zoom.) I will explain the details in class. [Note: there will only be one TA session for the first week of classes, on Friday, because Monday January 19 is MLK Day.]

My Office hours: by appointment. Email: marciano@northwestern.edu.

There is a Canvas Web site for this course. You should check it periodically for announcements, handouts, etc.

ASSIGNMENTS AND GRADING. There will be homeworks (20% of final grade), a midterm (35%) and, of course, a final exam (45%). You are welcome to work on problem sets in groups, and turn in a single write-up (but make sure to list the names of all group members). ¹

READINGS. The official textbook is “Microeconomic Theory,” by A. Mas-Colell, M. Whinston, and J. Green (Oxford University Press, 1995), abbreviated “MGW”. We will cover Chapters 10 and 15-19 (?) of MGW. Gerard Debreu’s “Theory of Value” (Cowles Foundation Monograph #17, 1959) is a classic; best of all, you can get it for free (yay!) from the Cowles Foundation Web site (at http://cowles.econ.yale.edu). Finally, you may also wish to consult “Microeconomic Foundations I: Choice and Competitive Markets,” by David Kreps (Princeton University Press, 2012): it is “nonstandard” in many ways, but very insightful. Finally, Truman Bewley also has a textbook, which I think is also very rich in insight (although it does not cover all the topics we will in this course).

Please familiarize yourselves with the Canvas course site: it will serve as repository for lecture notes, problem sets, solutions, etc., as well as a general communications hub.

¹It would be good for you to hand in typed answers—this is a perfect time to learn how to use \LaTeX!
NOTE: due to the fact that Reading Period is suspended for this term, I may have to reschedule things in the second part of the course, so you don’t have to take the final the day after the last class. Stay tuned for updates.

**January 12.** Prelude: Partial-Equilibrium analysis.

**January 14.** The Edgeworth Box: Pure Exchange

**January 19.** The GE Model: First and Second Welfare Theorem


**January 26.** Existence of Competitive Equilibrium.

**January 28.** Existence, Continued. The Sonnenschein-Mantel-Debreu theorem.

**February 2.** Non-cooperative foundations

**February 4.** Matching: Marriage and College-admission problems; the Gale-Shapley deferred-acceptance algorithm

**February 9.** Matching: Incentive properties in the marriage and college-admission problems. One-sided matching and top trading cycles

**February 11.** Matching: house allocation problem, kidney exchange. The Kelso-Crawford labor-market model

**February 16.** MIDTERM (Coverage: up to and including Feb. 11) [90mins within a 24-hour period]

**February 18.** Matching: Matching with Contracts. Hatfield - Milgrom...

**February 23.** Uncertainty, Contingent Commodities, and Arrow-Debreu Equilibrium

**February 25.** Sequential Trade and Radner equilibrium; begin Asset Markets

**March 2.** Asset Markets; Incomplete Markets (Hart)

**March 4.** Asymmetric Information and Rational Expectations (basics)

**March 9.** Rational Expectations

**March 11.** Topics in Rational Expectations; Eductive Reasoning [TBD]

**Thursday March 12:** Final Exam, 9:00a-11:00a. [120 mins within a 24-hour period]