This course is a continuation of Econ 7010. In that course you studied the behavior of individual consumers and firms. In this course we will explore the economic behavior of collections of firms and/or consumers. We will study models of interactions between groups of optimizing agents.

We will first consider competition between firms in a single market. We will then turn to several models which involve many interconnected markets. We will analyze models in which consumers exchange goods with each other, either with or without firms in the economy. We will explore the behavior of so-called perfect competition, and also discuss desirable features of an economic system.

Finally we will consider what happens when agents in an economy act strategically. This will include a brief excursion into the field of the economics of information.

**Course Requirements**

You must have taken Econ 7010 before taking this course. Your grade will be based on two exams, a group project and homework. I encourage you to discuss the homework with other students in the class; but you must write your answers individually. The weights are as follows:

- Homework: 20 %
- Project: 10 %
- Midterm: 20 %
- Final: 50 %

**Textbooks**


**Background:** Arrow, K.J. and F.H. Hahn, *General Competitive Analysis*, Holden-Day, 1971


THEORY OF THE MARKET
2.1 Pure Monopoly
2.2 Pure Competition
2.3 Competition in the Long Run
2.5 Monopolistic Competition
2.6 Oligopoly
2.7 Cournot Nash Equilibrium
2.8 Collusion
2.9 Stackelberg Behavior

GENERAL EQUILIBRIUM THEORY AND WELFARE ECONOMICS
5.1 Agents and Goods
5.2 Walrasian Equilibrium
   5.3 Graphical Analysis
   5.4 Existence
   5.5 Welfare Properties
5.6 Pareto Efficiency and Calculus
5.7 Welfare Maximization

TOPICS IN GENERAL EQUILIBRIUM THEORY
6.1 Equilibrium and Production
6.2 General Equilibrium over Time
6.3 Temporary Equilibrium
6.4 General Eqm. over States of Nature
6.5 The Core of an Exchange Economy
6.6 Convexity and Size
6.7 Uniqueness of Equilibrium
6.8 General Equilibrium Dynamics
6.9 Tatonnement Processes
6.10 Non-Tatonnement Processes

TOPICS IN WELFARE ECONOMICS
7.1 Public Goods
7.2 Truthful Revelation of Preference
7.3 Externalities
7.4 Consumers' Surplus
7.5 Measurement of Economic Welfare
7.6 Optimal Pricing
7.7 Quasi-Linear Utility Functions
7.8 Fair Allocations

INTRODUCTION TO NON-COOPERATIVE GAME THEORY (Class Notes)
Non-Cooperative Games
   Security Level
Extensive and Normal Forms
   Nash Equilibrium
Strategies
   Subgame Perfection
Dominance
   Incomplete Information

TOPICS IN THE ECONOMICS OF INFORMATION
8.1 Market for Lemons
8.2 Signals and Prices
8.3 Signalling
8.4 Moral Hazard
8.5 Information about Prices
8.6 Equilibrium Configurations
8.7 Classification of Single Price Equilibria
8.8 Two Price Equilibria