Course Code: ECON-437

Title: General Equilibrium and Welfare Economics
Credit Hours: 03
Prerequisite: Intermediate Microeconomics

Course Objectives:

It is a fundamental microeconomics course which studies the interdependency between individual decision making and market clearing price formation. From a methodological viewpoint, the general equilibrium approach views the economy as a closed and interrelated system in which the equilibrium values of all variables are simultaneously determined. Welfare economics deals with the interaction between "positive economics" (i.e. statements of what will happen under different policies) and "normative economics" (statements about what policies should be followed). Welfare economics considers how

value judgments involving interpersonal comparisons can be incorporated into the basic framework of positive economics in order to reach normative conclusions.

Learning Outcomes:

By the completion of the course, students should be able to:

- Learn the concept of general equilibrium of the economy
- Understand the welfare theorems and optimal allocations

Course Contents:

Concept and History of General Equilibrium Theory	Introduction to General Equilibrium Theory, Partial and General Equilibrium: Development of the field, History of General Equilibrium Theory, Problems with Partial Equilibrium Analysis.
An elementary General Equilibrium Model: The Robinson Crusoe Economy	Centralized Allocation, Decentralized Allocation, Pareto Efficiency of the Competitive Equilibrium Allocation: First Fundamental Theorem of Welfare Economics
The Edgeworth Box	Geometry of the Edgeworth Box, Pareto Efficiency and its constituents, Consumption Efficiency, Production Efficiency, Product Mix Efficiency, Calculating an Efficient Allocation, Competitive Market solution in the Edgeworth Box, Walrasian Equilibrium
Theorems	Envelope theorem, Kakutani fixed point theorem
Integrating production and multiple consumption decisions: A 2 X 2 X 2 model	A 2 X 2 X 2 model, Proof of existence of general equilibrium, Technical Efficiency and Pareto Efficiency, Prices and Decentralization, Efficient Market Hypothesis
Welfare	First and second theorems for welfare economics, Social Justice and the Social Optimum, Markets as the solution of efficient resource allocation problem

Teaching Methodology:

- To deliver lectures on topics included in course outline
- To require each student to solve independent assignments on topics included in the course.

Evaluation Criteria:

Evaluation Method	
Quizzes/Assignments	
Mid-Term Exam	
Final-Term Exam	

Recommended Books:

- L. S. Stavrianos (1981). Global Rift: The Third World Comes of Age, (New York: William Morrow and Company. Starr, Ross M. (20110). General Equilibrium Theory: An Introduction, 2nd Edition, Cambridge University Press
- Walter Nicholson. (2005). Microeconomic Theory: Basic Principles and Extensions, 9th edition. Thomson South-Western.
- James M. Henderson and Richard E. Quandt. (1971). Microeconomic Theory: A Mathematical Approach, 2nd edition. McGraw Hill Kogakusha Ltd., Tokyo.
- Eugene Silberberg. (1990). The Structure of Economics: A Mathematical Analysis, 2nd edition, New York: McGraw Hill Publishing Co.
- P. R. G. Layard and A. A. Walters. (1978). Microeconomic Theory, McGraw Hill Book Company.
- Jeffrey M. Perloff. (2014). Microeconomics, 7th edition, Prentice Hall
- Allen, Robert C. (2001). Global Economic History: A Very Short Introduction (Oxford, OUP.
- Harriss, John, Janet Hunter, and Colin Lewis. (2009). The new institutional economics and third world development. Routledge.