

HUGH GRAVELLE & RAY REES

MICROECONOMICS

3rd Edition



MICROECONOMICS

Microeconomics

Table of Contents

Front Cover

MICROECONOMICS

Contents

Preface to the third edition

The nature and scope of microeconomics

- Concepts and methods

- The economic and social framework

The theory of the consumer

- The preference ordering

- The feasible set

- The consumption decision

- The comparative statics of consumer behaviour

- Offer curves and net demand curves

 - Appendix 1: The lexicographic ordering

 - Appendix 2: Existence of a utility function

Consumer theory: duality

- The expenditure function

- The indirect utility function, Roy's identity and the Slutsky equation

- Measuring the benefits of price changes

- Composite commodities, separability and homotheticity

Further models of consumer behaviour

- Revealed preference

- The consumer as a labour supplier

- Consumption and the allocation of time

Table of Contents

Households

Production

Introduction

The production function

Variations in scale

Variations in input proportions

The multi-product case

Cost

Introduction

Long-run cost minimization

Short-run cost minimization

Cost minimization with several plants

Multi-product cost functions

Supply and firm objectives

Long-run profit maximization

Short-run profit maximization

The multi-product firm

The profit function and comparative statics

The entrepreneurial firm

Labour-managed firms

The theory of a competitive market

Short-run equilibrium

Stability of equilibrium

Long-run equilibrium

Conclusions

Monopoly

Introduction

Price and output determination under monopoly

Table of Contents

Price discrimination

Monopoly welfare loss

Input markets

Demand for inputs

Monopsony

Unions as monopoly input suppliers

Bilateral monopoly

Capital markets

Introduction

Optimal consumption over time

The optimal investment decision

Capital market equilibrium under certainty

Extension to many periods

General equilibrium

Introduction

Walrasian equilibrium of a competitive economy

Existence of Walrasian equilibrium

Stability of Walrasian equilibrium

Edgeworth exchange theory

Exchange, equilibrium and the core

Welfare economics

Introduction

Pareto efficient resource allocation

Welfare functions and the Pareto criterion

Pareto efficiency and competitive markets

Distribution and markets

Arrows Impossibility Theorem

Market failure and government failure

Table of Contents

The causes of market failure

Instances of market failure

The theory of the second best

Government action and government failure

Game theory

Introduction

Game representation and solutions

Games of imperfect and incomplete information

Mixed strategies

Cooperative bargaining games

Bargaining as a non-cooperative game

Delay and disagreement in bargaining

Oligopoly

Introduction

One-shot games

Oligopoly as a repeated game

Entry

Conclusions

Choice under uncertainty

Introduction

A formalization of uncertainty

Choice under uncertainty

Properties of the utility function

Risk aversion and indifference curves

Measures of risk

Comparative statics under uncertainty

Production under uncertainty

Introduction

Table of Contents

Competitive firm under uncertainty

Production with futures markets

Insurance, risk spreading and pooling

Introduction

The insurance decision

Incomplete insurance markets

Risk spreading: the Arrow-Lind Theorem

Risk pooling and diversification

Asymmetric information in insurance markets: adverse selection

Asymmetric information in insurance markets: moral hazard

Signalling

Agency, contract theory and the firm

Critique of the classical theory of the firm

Agency theory and the separation of ownership from control

The moral hazard principalagent model

The adverse selection principalagent model

General equilibrium under uncertainty and incomplete markets

Introduction

Complete markets in state-contingent income claims

State-contingent commodities

Efficiency with production

The stock market

Incomplete stock markets

Mathematical Appendices

The structure of an optimization problem

Solutions to optimization problems

Existence of solutions

Local and global optima

Table of Contents

Uniqueness of solutions

Interior and boundary optima

Concave programming and the Kuhn-Tucker conditions

Second-order conditions and comparative statics

The envelope theorem

Fixed points and Brouwer's Theorem

Bayes Theorem

References and further reading

Bibliography

Index

Back Cover