

Microeconomics III

Welfare, Aggregation, Distribution, Time and Risk

Instructors: Eugenio Peluso, Claudio Zoli

The course provides students with theoretical microeconomic tools for the analysis of aggregation of preferences, welfare evaluations, assessment of distributions of resources and more advanced tools for the analysis of risky prospects with applications to insurance decisions, risk sharing and intertemporal choices.

In particular, the course is organized in three main parts:

- 1) Introduction to welfare analysis, aggregation of preferences, and introduction to incentives and mechanism design.
- 2) Theory of distribution, evaluation of inequality, risk assessment, risk sharing and intertemporal decisions under risk.
- 3) Advances in risk analysis, intertemporal evaluations and intergenerational discounting.

Textbooks

(part 1) "Microeconomic Theory", by Andreu Mas-Colell, Michael Whinston, and Jerry Green, selected parts of chapters 16, 21, 22, 23.

(parts 2 and 3) Eeckhoudt, L. Gollier, C. and Schlesinger, H. (2005) Economic and Financial Decisions under Risk. Princeton University Press.

(parts 2 and 3) Gollier, C. (2001) The Economics of Risk and Time. MIT Press.

For each part the teaching material will be integrated with lecture notes/handouts and reference papers.

The approach is formal, basic mathematical concepts and familiarity with logical and abstract thinking are a pre-requisite of this course.

We plan to integrate the course program with contributions of prof. Louis Eeckhoudt, (University of Lille and CORE, Belgium).