# Guide to suggested reading

## Essential Microeconomics

**Chapter 1: Prices and Optimization**

1.2 Shadow prices PP 14-26

Intuitive discussion of the necessary and sufficient conditions for a constrained maximum.

1.3 Envelope Theorem.

You should skip the discussion of the continuity of the Value function.


**Chapter 2: Consumers**

2.1 Theory of choice.

Discussion of the assumptions that economists make about preferences. If these hold then preferences can be represented by a continuous utility function.

2.3 Budget constrained choice with two commodities

Includes discussion of income and substitution effects. Read the discussion of the Slutsky equation only if you wish to do so.

2.4 Consumer Choice with $n$ commodities

Introduction to homothetic preferences and aggregation of preferences over $n$ commodities to derived preferences over commodity $j$ and spending on all the other commodities. Compensating variation and consumer surplus. Ignore the discussion of multiple price changes.

2.5 Choice over time

The two period model.  In the introductory lectures we only considered once commodity per period. But the analysis is general as we use an aggregate utility function of spending in each period.


**Chapter 3  Equilibrium and Efficiency in an Exchange economy**

3.1 The $2\times2$ Exchange Economy

Edgeworth Boxes, Pareto preferred and Pareto Efficient Allocations.


**Chapter 4  Firms**

4.1 What is a firm

**Chapter 5 General Equilibrium**

5.1 The Robinson Crusoe Economy

Robinson Crusoe is the Representative consumer so this section covers the class discussion of WE in economies with identical homothetic preferences.

# The Analytics of Uncertainty and Information

## Chapter 1:  Elements of decision under uncertainty

Expected utility, risk aversion, paradoxes

## Chapter 2:  Risk-bearing: The optimum of the individual

2.1.1  Consumer choice under uncertainty.

## Chapter 3:  Comparative Statics of the risk-bearing optimum

3.1 Measures of risk version

3.2.1 Endowment and price effects with complete markets

## Chapter 4: Market equilibrium under uncertainty

4.1.1 Application to share cropping