Econ 301 - Microeconomic Theory 2	**Winter 2018**

Lecture 9: February 5, 2018

Lecturer: Jean Guillaume Forand | *Notes By: Harsh Mistry*

9.1 Competitive Equilibrium

In-Class Numbering : 2.0

- The goal is to determine prices faced by consumers endogenously (i.e from inside the model)
- Key assumptions about markets prices are :
  - All consumers face same price
  - Consumers are price-takers
- We require that equilibrium prices are consistent with the aggregated choices of all consumers in the economy.
- For simplicity, we study two-consumer (exchange) economies, so we have two consumers A and B
- Consumer $J = A, B$ has endowment $\omega^J = (\omega_1^J, \omega_2^J)$ and preferences $\succeq^J$ over consumption bundles (x_1^J, x_2^J) represented by utility function $u^J(x_1^J, x_2^J)$
- Goods have prices (p_1, p_2)
- We can represent two-consumer economies in a Edgeworth box