

Course Descriptions Master 2023-2024

Course Title Equilibrium Theory and Financial Markets
 Course Code EBC4009
 ECTS Credits 6,5
 Assessment Whole/Half Grades

| Period | Start | End | Mon | Tue | Wed | Thu | Fri |
|--------|-----------|----------|-----|-----|-----|-----|-----|
| 5 | 15-4-2024 | 7-6-2024 | X | | X | | |

Level Advanced

Coordinator Arkadi Predtetchinski, Anna Zseleva For more information: a.predtetchinski@maastrichtuniversity.nl; anna.zseleva@maastrichtuniversity.nl

Language of instruction English

Goals Learn about the notion of competition in a setting with many households, firms, and commodities. Understand the notions of competitive equilibrium, the first and second fundamental welfare theorem, and the core. Understand the role of financial markets in reshuffling income across time and states of the world. Learn about the consequences of market incompleteness. Understand the Capital Asset Pricing Model.

Description After introducing the necessary mathematical preliminaries and extending our knowledge on selected ingredients from consumer theory, the course focuses on general equilibrium models with complete markets, in particular classical exchange and production economies. Central concepts to be studied are the competitive equilibrium and the core. Next, the model is extended to include time and uncertainty, and the strong assumption of complete markets is relaxed. This makes it possible to incorporate financial markets in a satisfactory way. We study the relationships between equilibrium and arbitrage opportunities, and the valuation of financial securities. The well-known CAPM is a special case of the model studied. A rigorous derivation of the CAPM is provided.

Literature Reny and Jehle, Advanced Microeconomic Theory, Addison-Wesley, 1998 - LeRoy and Werner, Principles of Financial Economics, Cambridge University press, 2001

Prerequisites Intermediate microeconomics course, e.g. Microeconomics, or Information, Markets and Organisation. Exchange students need to have obtained a Bachelor degree with a major in Economics or Econometrics and have an advanced level in mathematics.

Teaching methods PBL / Assignment

Assessment methods Written Exam

Evaluation in previous academic year For the complete evaluation of this course please click <http://iwio-sbe.maastrichtuniversity.nl/rapporten.asp?referrer=codeUM>

This course belongs to the following programme / specialisation

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| Master Business Research - No specialisation | Year 2 Free Elective(s) |
| Master Business Research - Operations Research | Elective Course(s) |
| Master Econometrics and Operations Research | Elective Course(s) |
| Master Economic and Financial Research - Econometrics | Elective Course(s) |
| Master Economic and Financial Research - Econometrics | Year 1 Core Course(s) |
| Master Economic and Financial Research - No specialisation | Elective Course(s) |
| SBE Exchange Master | Master Exchange Courses |
| SBE Non Degree Courses | Master Courses |