



## Three Essays in Microeconomics

By Dirk Hofmann

Shaker Verlag Nov 2012, 2012. Taschenbuch. Condition: Neu. Neuware - If Adam Smith's invisible hand would work under any circumstances, economists would have had a different and probably boring life. The first fundamental theorem of welfare economics tells undergraduate students that any competitive equilibrium generates a Pareto optimal allocation of resources in the economy. As soon as one realizes that Pareto optimality is maybe not the best criterion as it allows, for example, strong inequalities among the agents in an economy a natural question is to think about other criteria for how to allocate the gains of economic processes which lead to the second fundamental welfare theorem. (Un)Fortunately, a brief look below the surface of the first welfare theorem reminds the economist of the if in the beginning of the story of Adam Smith's invisible hand. The assumptions of the first fundamental theorem of welfare economics are disregarded not only by undergraduates, but also by practitioners, politicians and even critics of economics as a science. As Greenwald (1986) put it: "It has not, however, been widely recognized that the distortions that arise in economies in which there is imperfect information and incomplete markets - for practical purposes, all economies -...



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