



The Hebrew University of Jerusalem

Syllabus

WELFARE THEORY - 71742

Last update 17-08-2025

HU Credits: 4

Degree/Cycle: 1st degree (Bachelor)

Responsible Department: Environmental Economics & Management

Academic year: 0

Semester: 1st Semester

Teaching Languages: Hebrew

Campus: Rehovot

Course/Module Coordinator: Professor Israel Finkelshtain

Coordinator Email: finkelsh@huji.ac.il

Coordinator Office Hours: advanced appointment

Teaching Staff:

Prof. Israel Finkelshtain

Course/Module description:

Pareto efficiency, fairness vs. efficiency, the first and second welfare theorems, the impossibility theorem, general equilibrium in exchange economy and with productive sector, bargaining, uncertainty, government intervention and regulations, market failures, externalities and public goods, taxes

Course/Module aims:

Providing the ability to analyze the effectiveness of alternative trading mechanisms.
Understanding the concept of market failures and alternatives to correct them.
Imparting knowledge needed for assessing the effectiveness of government intervention in markets

Learning outcomes - On successful completion of this module, students should be able to:

Analyze the effectiveness of alternative trading mechanisms.
diagnose of market failures and suggest alternatives for correcting them.
Evaluate the effectiveness of government intervention in markets

Attendance requirements(%):

85% of lectures, will be enforced

Teaching arrangement and method of instruction: lectures and exercises, lectures will be recorded, zoom meetings

Course/Module Content:

Week 1: Pareto principle, efficiency in barter, Edgeworth box
Week 2: curve of benefit options, jealousy, equality. Economic efficiency of production: homogeneous products, heterogeneous products
Week 3: Economic efficiency of production: value curve. An integrated economic efficiency, coordination between production and frontier curve of possible benefits. Arrow Theorem and social welfare function.
Week 4: Competitive equilibrium (general) in barter. Bargaining/Negotiating (Nash Bargaining Game)
Week 5: Competitive equilibrium in simple economies with production: lonely island Economy, farm economy. Fundamental Theorem of welfare economics.
Week 6: Imperfect competition in barter (market power). Imperfect competition in production (market power): plain monopoly

Week 7: Imperfect competition in production (market power) and regulation: antitrust laws and the agricultural sector, price control. Cartel, discriminating monopoly, monopsony, minimum wage agreements

Week 8: Positive and negative externalities in consumption and production, regulation and tax facilities

Week 9: Common Resources and the regulation of use them. Pasture, transport

Week 10: Government intervention by taxes and the efficiency conditions in barter and economy with production

Week 11: Government intervention by public goods and the efficiency conditions

Week 12: Pareto efficiency under uncertainty

Required Reading:

Course presentations, text books will be recommended in the first meeting.

Additional Reading Material:

1. מועלם יוסי "תורת המחירים: תחרות לא משוכללת ושיווי משקל כללי", הוצאת אקדמון.

2. שישינסקי איתן ושותפים "תורת המחירים" הוצאת אקדמון.

3. שישינסקי איתן "מימון ציבורי" הוצאת אקדמון.

Grading Scheme:

Written Exam % 70

Other 30 %

Additional information:

None