

Graduate Microeconomics III

Fall 2016

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Course Website: TBA

Course Description. This is the third and last course in the graduate microeconomics sequence. Here is an outline of the topics we will cover. A subset of the last three topics will be covered optionally if time allows.

- **Information Asymmetries**
 - Moral hazard and the principal agent problem (MWG 14)
 - Adverse selection and screening (MWG 13)
- **Social choice**
 - Arrow’s theorem, May’s theorem, collective decision making, Gibbard-Satterthwaite theorem (MWG 21)
- **Mechanism design**
 - Revelation principle, bilateral trade, public goods provision, VCG mechanisms, allocation problems (MWG 23)
- **Cooperative game theory**
- **Information transmission and design:** signalling, cheap talk, hard information, design.
- **Rational expectation equilibrium and no trade theorems**

Evaluation. I will assign two problem sets as homework and a final exam. The course grade is computed as the maximum of two grades. The first of these grades puts the following weights: 70% on the final exam, 25% on the problem sets, and 5% on participation. The second of these grades puts: 80% on the final, 15% on the exams and 5% on participation.

Textbooks. You should make sure you have access to MWG and read the chapters corresponding. The other books are an excellent complementary reading.

1. “Microeconomic Theory” by Mas-Colell, Whinston and Green. (MWG)
2. “Advanced Microeconomic Theory” by Jehle and Reny.
3. “An Introduction to the Theory of Mechanism Design” by Tillman Börgers.