

14E027

6 ECTS

Advanced Microeconomics III

Overview and Objectives

The main focus of the course is information economics. We will explore information asymmetries from various perspectives including competitive equilibrium, strategic interactions, mechanism-design and principal-agent. We will present the classical economic problems of adverse selection and moral hazard, consider models of signaling and screening and offer an introduction to mechanism design. Depending on time and interests, we will touch some extra topics at the end.

This is a final course in the advanced-track microeconomics sequence. It assumes some mathematical maturity and a good understanding of concepts taught in both previous courses in the sequence.

Course Outline

The following topics provide a broad outline of the course.

1. Adverse Selection
2. Signaling
3. Screening
4. The Principal-Agent Problem
5. Mechanism Design

Required activities

There will be problem sets covering the course materials to be discussed in tutorial sessions and a final exam. The student is expected to solve and hand in problem sets. Group discussion of assignments is encouraged.

Evaluation

25% of the grade will come from the problem sets, and 75% from the final exam. Problem sets can be submitted in pairs.

Material

Reference textbooks include: Microeconomic Theory A. Mas-Collel, M. Whinston and J. Green, (1995); Contract Theory P. Bolton and M. Dewatripont (2005); Game Theory Fudenberg and Tirole (1991); An Introduction to the Theory of Mechanism Design T. Börgers; Auction Theory V. Krishna.