

**Microeconomics III
Winter 2017**

Andrea Mattozzi

- **Classes:** Wed 9-10:30, Fri 11.00-12.30
- **TA:** Matteo Escude'
- **TA Sessions:** TBA
- **Office Hours:** Friday from 13:30 to 15:30.
- **Required Texts:**
 1. Mas-Colell A., Whinston M.D., and Green J.R., 1995, *Microeconomic Theory*, Oxford;
 2. Reny P. and Jehle G., *Advanced Microeconomic Theory*, 2nd edition, Addisen Wesley.Lecture Notes will be distributed.
- **Recommended text:** Salanie B., *The Economics of Contracts*, MIT.
- **Course Objectives:** Models of asymmetric information in markets: signalling, competitive and monopolistic screening, markets with externalities, public goods, principal-agent models, introduction to mechanism design.
- **Course Requirements:** There will be a final exam. Problem sets need to be turned in. Details on grading will be given in class.

Subjects and readings (tentative)

- **First week:**
 1. Inefficient market equilibria when there are unobservable private characteristics that are relevant for the competitive prices. MWG-13B.
 2. Adverse selection and markets with signalling; MWG-13C, JR-8.1.
- **Second week:**
 1. Competitive screening; in labor markets MWG-13D and in insurance markets JR-8.1.
 2. Moral hazard and the principal agent problem in insurance and labor markets MWG-14B, JR-8.2.

- Third week:

1. Monopolistic screening; MWG-14C.
2. Principal-agent model with hidden information and hidden action; MWG-14D.

- Fourth week:

1. Left-overs from the theory of complete contracts.
2. Mechanism design and applications of revelation principle to monopoly price discrimination and first price auctions. Salanie Ch. 2,3

- Fifth week:

1. Social choice, implementation and mechanism design, taking public good provision and collective decision making as main topics.

- Sixth and Seventh weeks:

1. Myerson and Satterthwhite. MWG-23.
2. Cheap Talk: the basic one sender model.