

UNIVERSITY OF GUELPH
College of Management and Economics
Department of Economics and Business

ECON*6010: Microeconomic Theory II

Winter 2012

Instructor: René Kirkegaard
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Lectures: Tuesdays and Thursdays, 1:00 – 2:20, Mins B37.

Office hours: Tuesdays and Thursdays, 3:00 – 4:00, or by appointment.

It is your responsibility as a student to be aware of and to abide by the University's policies regarding academic misconduct, e-mail communication, maintaining copies of out-of class assignments, what to do when you cannot meet a course requirement and the drop date for this semester. To better understand these policies, visit:

<http://www.economics.uoguelph.ca/imptnotice.htm>

Description: This is a course on uncertainty and information in economics. We begin with a discussion of how uncertainty and incomplete information is modeled using probability distributions. We review how such distributions can meaningfully be compared and some useful mathematical techniques are reviewed. However, the larger part of the course focuses on the strategic interaction of asymmetrically informed agents. Thus, we cover classic topics such as adverse selection and its remedies, namely signaling and screening. We also examine situations in which one party can alter the rules of the game and thereby manipulate other agents' incentives and ultimately the final outcome.

The textbook will be the main reference for the course, but it will be supplemented with additional readings in the form of journal articles. We will read some of the classic papers as well as some new contributions.

Textbooks:

Required textbook: *Microeconomic Theory*, by Mas-Colell, Whinston, and Green (MWG), Oxford University Press, 1995.

Requirements:

4 Assignments, 5% each. Due dates: January 26, February 9, March 15, April 5. Late assignments will not be accepted. All assignments *must* be typed in LaTeX.

2 Midterms, 20% each. Dates: February 16, March 22.

Final exam, 40%. Date: Between April 9 and April 20 (to be determined).

Course Outline:

The following course outline is tentative and may be modified at any time. Only readings from the textbook are listed. Journal articles and other references will be added as the term progresses. The course is in four parts. A number of related topics will be explored, but we will not have time to cover all the topics listed below.

Part I: Preliminaries (no strategic interaction). Choice under uncertainty; Comparing and interpreting distributions.

Background reading on expected utility and choice under uncertainty: MWG, Sections 6.A and 6.B.

MWG, Section 6.C and 6.D.

Topic: Other stochastic orders; several sources of uncertainty (journal readings).

Part II: Adverse Selection, Signaling, Screening.

Background reading on game theory: MWG, chapters 7,8,9.

MWG, chapter 13.

Topic: Single-crossing conditions and monotone comparative statics (journals).

Part III: Principal-agent models.

MWG, chapter 14.

Topic: Cheap talk (journal readings)

Part IV: Mechanism design and implementation.

Background reading on social choice/welfare economics: MWG, chapters 21, 22.

MWG, chapter 23.

Topic: Asymmetric auctions; information acquisition in auctions (journals).

Topic: Market design; matching (journals).

Evaluation: You will be asked to complete an evaluation of this course at sometime during the last two weeks of the semester. The Department of Economics policy regarding the conduct and use of these evaluations will be found at:

<http://www.economics.uoguelph.ca/courses/evaluationintro.htm>