**Preliminaries** This course is research oriented. It gives a rigorous review, based on the current literature, of the economics of strategic behavior, informational economics, principal-agent theory, bargaining theory, and economic design. These areas are central to modern research in microeconomic theory and its applications. Applications include the theory of contracts; incentive compatible mechanisms for provision of public goods; bargaining; auction theory and others. Coverage may vary depending on students’ research interests. Active student participation, including class presentations, is essential.

**Assessment** Assessment in this class may include problem sets and exam; class presentations and participation; and research proposal on a topic related to the class. The proposal should include the statement of the problem, literature review, and the proposed model (or experimental design). It should not exceed 20 pages. While reading papers for the class, think of ways to extend or improve them, or apply their results to problems in applied economics. This could lead you to a good research idea.

**Recommended reading** Given the research orientation, the amount of reading for the course will be substantial. Mas-Colell, Whinston and Green (MWG), 1995 is the main textbook for the course. The other texts are additional:


In addition, selected journal articles and research papers will be required for reading.
TENTATIVE SYLLABUS

1: Introduction. Economics of information and incentives.


MWG, Chapters 6, 8E, 9C.


(Varian, Chapters 11, 15.)


3: Market failure with asymmetric information. Akerlof’s market for lemons. Signaling and screening.

MWG, 13; Kreps, 17; Varian, 25.9-25.11. (Salanie, 4.)


MWG, 14.A-14.B; Varian, 25.1-25.5; Kreps, 16. (Salanie, 5.1-5.3.4.)


Laffont, 1989, 11.3-11.5.

Salanie, 15.3.5-15.4, 6.5.


4c: **Repeated contracts and career concerns.**


MWG, 14.C; Varian, 25.6-25.8; Kreps, 16-17.


Salanie, chapters 2-3.


**4e: Generalized Principal-Agent models** Linear contracts and multi-tasking.


Laffont, Tirole. “Auctioning Incentive Contracts.”

Bardsley and Sherstyuk. “Rat Races and Glass Ceilings.”

**5: Social Choice Theory.** Arrow’s Impossiblity Theorem.

MWG Ch. 21

Arrow, Social Choice and Individual Values, Yale, 1951.


MWG Ch. 9 (Appendix A); 22.


7a. Mechanism design: general formulation.

MWG 23.A-23.B.


Myerson, 1989.


MWG 23.C; (Varian 23.8, 23.9; Kreps 18.3, 18.4)


7c: Bayesian Mechanism Design.

MWG 23.D-F.


