

Microeconomics

4th module, 2019-20

Marta Troya-Martinez

New Economic School

mtroya@nes.ru

Course information

Course Website: <https://my.nes.ru>

Instructor's Office Hours: By appointment.

Room Number: TBA

TAs: TBA

Course description

This is the fourth course in the microeconomics sequence at MAE program. The goal of the course is to introduce the main concepts, ideas and tools of the asymmetric information literature. The main focus of the module will be on adverse selection, moral hazard and their implications for incentives, economic behavior, and efficiency. Market responses to asymmetric information such as signaling and screening will be also covered. Illustrations will be drawn from various fields, including industrial organization, political economy, and labor economics.

Course requirements, grading, and attendance policies

Successful completion of the Microeconomics modules 1, 2 and 3 is a prerequisite for this course. The grade will be a combination of the final exam (70%), four problem sets (10%) and a long essay (15%). Attendance and class participation is compulsory and will count for the remaining 5% of the grade. Students will be entitled for a make-up exam which will have a similar format to that of the final exam.

The final exam format will be closed-book, 3 hours, 1 exit and questions are allowed.

Course outline

Introduction to asymmetric information models (Lecture 1)

NEW ECONOMIC SCHOOL
Master of Arts in Economics

Main reference: Laffont and Martimort, Ch. 1
Akerlof (1970), Quaterly Journal of Economics

Signalling with hidden information (Lectures 2, 3 and 4)

Main reference: Mas-Colell et. al. Ch 13.C and Appendix A
Spence (1973), Quaterly Journal of Economics
Crawford and Sobel (1982), Econonometrica

Other reference: Bolton and Dewatripont, Ch. 3 and Salanie Ch 4

Screening in markets (Lectures 5, 6 and 7)

Main reference: Mas-Colell et. al. Ch 13
Rothschild and Stiglitz (1976), Quaterly Journal of Economics
Other reference: Salanie Ch 3

Principal-agent problem with hidden information (Lectures 8, 9 and 10)

Main reference: Laffont and Martimort, Ch. 2 and (some parts of) 3.
Other reference: Mas-Colell et. al. Ch 14

Principal-agent problem with moral hazard (Lectures 11, 12, 13 and 14)

Main reference: Laffont and Martimort, Ch. 4 and (some parts of) 5
Bolton and Dewatripont, Ch 8.1 (moral hazard in teams) and 10.5 (career concerns)
Holmstrom (1982), The Bell Journal of Economics
Holmstrom (1999), Review of Economic Studies
Other reference: Mas-Colell et. al. Ch 14

Course materials

Required textbooks and materials

- [1] Bolton, P. and M. Dewatripont. "Contract Theory"
- [2] Laffont, J. and D. Martimort. "The Theory of Incentives. The Principal - Agent Model"
- [3] Mas-Colell, M. Whinston and J. Green. "Microeconomic Theory." Ch. 13, 14
- [4] Salanie, B. "The Economics of Contracts: A Primer."