

# Microeconomic Theory II

Econ 5220 Spring 2017

Venue: Room 5510 (Lift 25-26)

Time: Tuesday and Thursday, 10:30AM - 12:20PM

Start: Feb 2

End: May 9

Instructor: Xiaojian Zhao

Office: LSK, Room 6083

Office hour: By Appointment

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## Teaching Assistant

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## Course Description

This course covers basic theories in modern microeconomics including general equilibrium theory, game theory, contract theory, and economics of information with applications to industrial organization, finance etc.

## Prerequisite

Microeconomic Theory I

## Assessment Scheme

- Class Participation: 5%
- Mid-term Exam: 45%
  - The midterm exam will be held in class on **March 30**.
- Final Exam: 50%
  - All exams are closed-book exams, and cumulative.

## Textbooks

Mas-Colell, A., M. Whinston and J. Green (1995): *Microeconomic Theory*, Oxford University Press, 1995.

Osborne, M. and A. Rubinstein (1994): *A Course in Game Theory*, MIT Press, 1994.

Laffont, J. and D. Martimort (2002): *The Theory of Incentives: The Principal-Agent Model*, Princeton University Press, 2002.

Zhao X. (2015). *Notes on Microeconomic Theory*, available at *canvas*.

## Supplementary Books

Bolton, P. and M. Dewatripont (2005): *Contract Theory*, MIT Press, 2005.

Fudenberg, D. and J. Tirole (1991): *Game Theory*, MIT Press, 1991.

## Outline

### Part I. General Equilibrium Theory

Pure-Exchange Economy

Economy with Production

Economy with Uncertainty

### Part II. Incomplete Information Games

Information Structures

Correlated Equilibrium

Bayesian Games Revisited

Common Knowledge

Perfect Bayesian Equilibrium

### Part III. Contract Theory and Economics of Information

Screening

Signaling

Costly State Verification

Moral Hazard

Mechanism Design