

MICROECONOMICS 2

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March 6, 2010

Schedule: Every Monday and Wednesday 2:30 PM - 4:00 PM. First class: March 08, 2010. Last class: April 14, 2010.

Course Material: I will put electronic notes online on course website. The website for the course is:

<http://www.isid.ac.in/~dmishra/micro.html>

We will mostly use the book by *Mas-Colell, Whinston, and Green* (MWG) titled *Microeconomic Theory*.

Evaluation: There will be three assignments, one each at the end of each topic (see below). I encourage you to do the assignments on your own and discuss it with me in case of doubts. The entire weight (50%) of this part will be on the end-term examination.

Topics: Here are the main topics for the course.

1. Adverse Selection (MWG - Chapter 13 B)

- Informationally Asymmetries
- Adverse Selection and Market Unravelling
- A Game Theoretic Approach
- Constrained Pareto Optima

2. The Principal-Agent Model (MWG - Chapter 14)

- Hidden Actions (Moral Hazard)
- Hidden Information

3. Externalities and Public Goods

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- Bilateral Externality
- Public Goods
- Multilateral Externalities

4. Repeated Games

- Prisoners' Dilemma Revisited
- Folk Theorems - Classic and Nash Reversion