

University of Alicante - Graduate Program in Economics - Spring 2012

Microeconomics III

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This course covers market failures in the presence of externalities, market power and asymmetric information. Topics include: externalities, public goods, social choice and voting, monopoly, oligopoly, bargaining, adverse selection, signalling, screening, moral hazard, mechanism design and auctions. About nine problem sets will be handed out and graded. There is a final exam.

Textbooks

Mas Colell, Andreu, Michael D. Whinston, and Jerry. R. Green, *Microeconomic Theory*, Oxford University Press, 1995

Jehle, Geoffrey A. and Philip J. Reny. *Advanced Microeconomic Theory*. Addison Wesley, 2001

Kreps, David, *A Course in Microeconomic Theory*, Princeton University Press, 1990

Course Outline

1. Externalities, public goods, and social choice (4 lectures)

MWG, Ch 11 and 21

JR, Ch 6

Kreps, Ch 5, 6 and 8

J-J Laffont, *Fundamentals of Public Economics*, MIT Press Ch. 1 and 2

A. Dixit and M. Olson, "Does Voluntary Participation Undermine the Coase Theorem?" *Journal of Public Economics*, 76(3), 2000, 309-35

2. Market power (4 lectures)

MWG, Ch 12

Kreps, Ch 9, 10, 14

JR, Ch 4

Jean Tirole, *The Theory of Industrial Organization*. The MIT Press 1988

Xavier Vives, *Oligopoly Pricing: Old Ideas and New Tools*, The MIT Press 2000

3. Bargaining (2)

MWG, 22

Kreps, 15

Martin Osborne and Ariel Rubinstein, *Bargaining and Markets*, Academic Press 1990

4. Moral hazard and adverse selection (6 lectures)

MWG, Ch 13 and 14

Kreps, Ch 16 and 17

JR, Ch 8

J-J Laffont, *The Economics of Uncertainty and Information*, MIT Press 1993, Ch 4, 10 and 11

Akerlof, G. "The Market for Lemons: Qualitative Uncertainty and the Market Mechanism," *Quarterly Journal of Economics*, 84(3) 1970, pp. 488-500

Rothschild, M. and J. Stiglitz, "Equilibrium in competitive Insurance Markets: An Essay on the Economics of Imperfect Information," *Quarterly Journal of Economics*, 90(4), 1976, pp. 629-49

Bolton, Patrick and Mathias Dewatripont, *Contract Theory*, The MIT Press 2005. Ch 2-4.

5. Mechanism design and auctions (4 lectures)

MWG, Ch 23

Kreps, Ch 18

JR Ch 9

Vijay Krishna, Auction Theory, Elsevier Science Academic Press, 2002

Paul Milgrom, Putting Auction Theory to Work, Cambridge University Press, 2004