This course is the continuation of Ec701 from the previous semester. It will cover general equilibrium theory, uncertainty, asymmetric information, incentives and mechanism design. The first part up to the midterm exam will cover classical general equilibrium theory: existence and uniqueness of Walrasian equilibrium, core equivalence, optimal risk sharing and Arrow-Debreu markets, and incomplete markets. Following the midterm, the second half will cover the economics of information and incentives: rational expectations, adverse selection, signalling, screening, and the principal-agent problem.

The same textbook as in Ec701 will be used:

There will be a midterm and a final exam. The midterm exam will be held in class on March 2; this cannot be changed so please mark your calendars accordingly. The course grade will assign equal weight to the midterm and final exams.

There will also be weekly problem sets which are posted on the course website. These will not directly count towards the grade, but will be used when you are borderline between two grades based on exam performance. More importantly the problem sets are an essential adjunct to the lecture material, and will assist you in preparing for the exams. They will help you, me and the TA to identify how well you are following the material. It is therefore essential that you work on the assigned problems on your own and turn them in to the TA on time. Every Friday you will have a discussion session with the TA, who will go over the solutions to the problem sets and any other class material you need help with. In some weeks we may have additional lecture sessions in case we are falling behind schedule.

**Lecture Plan:**

1. *The Positive Theory of Competitive Equilibrium: (Sessions 1-7)*
   - Existence (17B,C,I): Jan 19/21/24
   - Uniqueness (17D,E,F (suitable parts)): Jan 26/31; Feb 2
   - Game Theoretic Foundations of Competitive Equilibrium (18A-C): Feb 7/9
2. *Competitive Equilibrium with Uncertainty: (Sessions 8-13)*

Pareto-Optimal Risk-Sharing and Arrow-Debreu Markets (19A-C): Feb 14/16
Incomplete markets and Financial Assets: Radner equilibrium (19D-E): Feb 22/23/28, plus an extra class to be scheduled in the last week of February

**MIDTERM EXAM (March 2)**

3. *Economics of Information: (Sessions 14–24)*

Imperfect information: Rational expectations equilibrium (19H): March 14/16/21
Markets with adverse selection (13A-B): March 23/28
Signaling and Incomplete Information Games (13C): March 30/Apr 4/6/11/13
Competitive Screening (13D): April 20

4. *Incentive Design: (Sessions 25-28)*

Principal-Agent problem (14A-D): Moral Hazard Apr 25/27; Nonlinear Pricing May 2/4