

Syllabus, Ec703b: Microeconomic Theory, Principal-Agent problem

Spring 2019, Boston University Department of Economics

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Class: M W 2.30-3.45 COM 215

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Course website: <http://people.bu.edu/dilipm/ec703/703hmpg.html>. Lecture slides and Problem sets will be posted here.

This is the final segment of the first year PhD course on micro theory, which will be devoted to the principal-agent problem and various applications in IO, public economics, finance, labor and development.

Grading: for this segment will be 80% final exam, 20% problem sets; for 703 as a whole will be an average of your grade for the two segments 703a,b.

Academic Conduct: You are expected to know and understand the provisions of the CAS Academic Conduct Code. Cases of suspected academic misconduct will be referred to the Dean's Office.

Sessions and Readings:

1. Nonlinear Pricing and Mechanism Design (7-8 sessions):

Monopoly pricing with asymmetric information; Introduction to Mechanism Design; Public Goods; Bargaining; Auctions

Text: Fudenberg and Tirole, *Game Theory*, MIT Press, Chapter 7, Sections 7.1-7.5

2. Moral Hazard and Incentives (6 sessions)

Trade-offs between risk-sharing and incentives

Text: Mas-Colell, Whinston and Green, *Microeconomic Theory*, Chapter 14, Section 14B

Time permitting, we could cover other topics in moral hazard: tournaments, limited liability, incomplete contracts and property rights