

Advanced Microeconomic Theory II

Text: Microeconomic Theory, by A. Mas-Colell, M.D. Whinston and J. Green

(MWG), Oxford University Press.

Useful Books:

Game Theory, by D. Fudenberg and J. Tirole (FT), MIT Press.

Game Theory, by R. Myerson (M), Harvard University Press

A Course in Game Theory, by M. Osborne and A. Rubinstein (OR), MIT Press

Theory of Incomplete Market, Vol 1, by M. Magill and M. Quinzii (MQ), MIT Press

General Equilibrium, Overlapping Generation Models and Optimal Growth Theory, by T. Bewley, Harvard University Press

Classical General Equilibrium Models, by L. McKenzie, MIT Press

Time: Monday 6-8, 中心大教室

Grade: HW 20%, mid-exam 30%, final exam 50%.

Tentative Reading list:

I. Game Theory

1.1 Equilibrium Theory

MWG Ch 7, 8, 9.

Lazear, E and S. Rosen (1981), "Rank-Order Tournaments as Optimum Labor Contracts," Journal of Political Economy, 841-64.

Kreps, D. and J. Scheinkman (1983), "Quantity Precommitment and Bertrand Competition Yield Cournot Outcome," Bell Journal of Economics, 326-37.

Milgrom, P. and J. Roberts (1982), "Limit Pricing and Entry under Incomplete Information: An Equilibrium Analysis", Econometrica, 443-459.

Laffont, J-J and E. Maskin (1990), "The Efficient Market Hypothesis and Insider Trading on the Stock Market," Journal of Political Economy, 70-93.

Milgrom, P., (1981), "An Axiomatic Characterization of Common Knowledge," Econometrica, 219-22.

Harsanyi, J., (1967-68), "Games with Incomplete Information Played by Bayesian Players," Management Science.

Selten, R., (1975), "Reexamination of the Perfectness Concept for Equilibrium

- Points in Extensive Games,” International Journal of Game Theory 4: 25-55.
- Kreps, D. and R. Wilson, (1982), “Sequential Equilibrium,” Econometrica 50: 863-94.
- Fudenberg, D. and J. Tirole, (1991), “Perfect Bayesian Equilibrium and Sequential Equilibrium,” Journal of Economic Theory 53: 236-60.

1.2 Applications

- Holmstrom, B., (1979), “Moral Hazard and Observability,” Bell Journal of Economics.
- Holmstrom, B., (1982), “Moral Hazard in Teams,” Bell Journal of Economics.
- Grossman, G. and O. Hart, (1983), “An Analysis of the Principal-Agent Problem,” Econometrica.
- Holmstrom, B. and P. Milgrom, (1991), “Multitask Principal-Agent Analysis,” Journal of Law, Economics and Organizations.
- Rothchild, M. and J. Stiglitz, (1976), “Equilibrium in Competitive Insurance Markets,” Quarterly Journal of Economics.
- Cho, I. and D. Kreps, (1987), “Signaling Games and Stable Equilibria,” Quarterly Journal of Economics.
- Bernheim, D., B. Peleg and M. Whinston, (1981), “Coalition-Proof Nash Equilibrium,” Journal of Economic Theory 42:1-12.
- Geanakoplos, J., (1989), “Game Theory without Partition,” CFDP 914, Yale.
- Rabin, M., (1993), “Incorporating Fairness into Game Theory and Economics,” American Economic Review 83: 1281-1302.

II. General Equilibrium Theory

MWG Ch 15- 20.

MQ Ch 1-4.

- Arrow, K.J., (1964), “The Role of Securities in the Optimal Allocation of Risk-Bearing,” Review of Economic Studies 31: 91-96.
- Hart, O., (1975), “On the Optimality of Equilibrium When the Market Structure is Incomplete,” Journal of Economic Theory 11: 418-43.
- Malinvaud, E., (1973), “Markets for and Exchange Economy with Individual Risk,” Econometrica.
- Cass, D., G. Chichilnisky and H. Wu, (1996), “Individual Risk and Mutual Insurance,” Econometrica.
- Brown, D and R. Jennings (1989), “On Technical Analysis,” Review of Financial

studies, 527-51.

III. Mechanism Design and Economic Organizations

MWG Ch 23.

Baron, D. and R. Myerson, (1982), "Regulating a Monopolist with Unknown Costs," Econometrica.

Grossman, S. and O. Hart, (1986), "The Costs and Benefits of Ownership," Journal of Political Economics.

Tirole, J., (1986), "Hierarchies and Bureaucracies: on the Role of Collusion in Organizations," Journal of Law, Economics and Organization.

Sah, R. and J. Stiglitz, (1986), "The Architecture of Economic System: Hierarchies and Polyarchies," American Economic Review.

Holmstrom, B. and J. Tirole, (1991), "Transfer Pricing and Organization Form," Journal of Law, Economics and Organization.