Course Description: This course follows on 210a and develops some further basic tools and results of modern microeconomic analysis. It begins by discussing the Heckscher-Ohlin model of international trade as an example of the general equilibrium model that you studied in the previous quarter. Then, it will discuss two broad topics, each of which is an analysis of many agent interactions in settings that go beyond the perfectly competitive structures studied in 210a. The first topic introduces basic concepts from non-cooperative game theory and discusses economic applications of the theory. The second develops the theory of imperfect information.

Requirements: The grade for the course will be based on 4 problem sets (accounting for 20% of the grades), a mid-term (30% of the grade) and a final examination (whose weight, therefore, is 50%). The mid-term examination will be held on February 9th and the final will be held on Thu, Mar 22, 8:00-10:00am. A pre-requisite for taking this class is 210a.

Required Text:

Optional Texts:

Basic Readings: * denotes a required reading. Some supplementary readings are indicated in the sequel. Additional readings may be provided during the course of the quarter.

I. Heckscher-Ohlin Model: An application of general equilibrium theory

Findlay, R. Factor Proportions, Trade and Growth, MIT Press, 1995. Chapter 1

II. Game Theory

II.1 Motivating Examples: Oligopoly Models under Cournot, Stackelberg and Bertrand competition
**II. Normal Form Games: Dominance Solvability, Rationalizability, Nash Equilibrium**

*Mas-Colell et al., Chapter 7, 8
*Gibbons, Chapter 1.
Kreps, Chapter 11.3, 12.
Fudenberg and Tirole, Game Theory, MIT, 1991, Chapter 1.

**II.3 Extensive form games: Sequential rationality, backward induction, subgame perfection, Bayesian equilibrium, sequential equilibrium**

*Mas-Colell et al., Chapter 9.
Kreps, Chapter 11.1&2, 12
Fudenberg and Tirole, Chapter 3.

**II.4 Repeated games and the folk theorem**

*Mas-Colell et al. Chapter 12 appendix A
*Gibbons, Chapter 2
Kreps, Chapter 14
Fudenberg and Tirole, Chapter 5.

**III. Topics in Information Economics**

**III.1 Moral Hazard**

*Mas-Colell et al., Chapter 14.
*Macho-Stadler and Perez-Castrillo, Chapter 3
Kreps, Chapter 16
Salanie, Chapter 5

**III.2 Adverse Selection, Market Signaling, and Screening**

*Mas-Colell et al., Chapter 13.
*Macho-Stadler and Perez-Castrillo, Chapters 4, 5
Kreps, Chapter 17
Salanie, Chapters 3-4.

**III.3 The Revelation Principle and Mechanism Design**

*Mas-Colell et al., Chapter 23
Kreps, Chapter 13 &18
Salanie, Chapters 2.