

Microeconomics 4: Information Economics

FDPE Spring 2024

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Microeconomics 4 focuses on the role of asymmetric information in economics. We focus on three important classes of problems in information economics; mechanism design, sender-receiver games, and contracting, to begin exploring the role of information in economic problems.

The topics to be covered include:

- Mechanism Design: Screening, Dominant strategy mechanisms, Bayesian mechanisms, Optimal auctions, Incomplete information bargaining.
- Contracts (moral hazard)
- Sender-Receiver Games: Cheap Talk, Signaling

Prerequisites

Microeconomics 3

Instructor

Daniel Hauser

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Office Hours: Friday 9-10am (at Aalto or over zoom at <https://aalto.zoom.us/j/63678342320>)

Co-Instructor

Kailin Chen

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Lectures and study material:

The course consists of 24 lecture hours and 4 exercise sessions. Everything is posted on mycourses.

As the main text for the course one can use:

- Mas-Colell, Whinston and Green: "Microeconomic Theory", Oxford University Press (MWG).

This book covers much of the material of the lectures. However, there are many more specialized books that can be very helpful as supplementary material:

- Borgeers: "An Introduction to the Theory of Mechanism Design," Oxford University Press.
- Salanie: "The Economics of Contracts: A Primer," MIT Press.
- Bolton and Dewatripont: "Contract Theory," MIT Press.
- Krishna: "Auction Theory," Academic Press.
- Milgrom: "Putting Auction Theory to Work," Cambridge University Press.
- Vohra: "Mechanism Design: A Linear Programming Approach," Cambridge University Press.

Lecture notes are posted on mycourses. These will give a good idea about the contents of the lectures, but they will not be self-contained: proofs, illustrations, further discussions, etc. will be done in the class.

Graded Work:

Assignments (40% of grade)

4 Exercises (each worth 20 points)

These are due at the start of the lecture after each exercise sessions. To earn full credit, I expect to see a good faith attempt to solve all problems.

Exam (60% of grade)

The final exam will be 2 hours, closed book, and in person