

Advanced Microeconomics 2
Helsinki GSE
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Period II, Fall 2022
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Instructions for the Essay

In this course, you may submit an essay as a piece of independent work. The essay delivers a maximum of 20 points that will be added to your grade if you pass otherwise the course (i.e. get 50/100 on the exam and exercises).

The essay should discuss an important topic in the areas that we covered (social choice, matching and assignment markets, competitive equilibrium, financial economics models of general equilibrium). The essay should be no longer than eight pages. It should demonstrate that you can summarize the main findings and remaining open questions in your topic area in your own words and ideally also indicate what are the most important next steps for research in this area. The essay should not be a treatise, but it should go well beyond the information in Wikipedia articles. One really good way of showing your understanding is by coming up with concrete examples of your own on the issue at hand. Here is a list of possible topics for the essay:

1. Social Choice and Sustainability. (Possible source: Asheim G.B. 2007: Justifying, Characterizing and Indicating Sustainability, Dordrecht: Springer.)
2. Other Regarding Preferences and Equilibrium (Possible source: Martin Dufwenberg, Paul Heidhues, Georg Kirchsteiger, Frank Riedel, and Joel Sobel: Other-Regarding Preferences in General Equilibrium, The Review of Economic Studies, Volume 78, Issue 2, April 2011, Pages 613-639, <https://doi.org/10.1093/restud/rdq026>).
3. Market Design (Possible topics: Aspects of school choice, Kidney exchange, Refugee matching).

4. Matching Markets with Prior Investments (Possible source: George J. Mailath, Andrew Postlewaite, and Larry Samuelson: Premuneration Values and Investments in Matching Markets, *The Economic Journal*, Volume 127, Issue 604, September 2017, Pages 2041-2065, <https://doi.org/10.1111/ecoj.12400>)
5. Debt and Default in GE (Possible source: Yaniv Ben-Ami John Geanakoplos: General Equilibrium Outside the Edgeworth Box: Debt, Fragility, and Multiplicity, mimeo, 2019).
6. Aspects of Equilibrium in Financial Markets (Possible topics: Incomplete financial markets, Fully revealing rational expectations equilibrium, Prediction markets).
7. Equilibrium in Assignment Models (Possible topics: Matching firms and CEO's, Equilibrium in housing markets, Optimal transport).
8. Matching with Monetary Contracts (Possible Source: John Hatfield and Paul Milgrom: Matching with Contracts, *American Economic Review*, 95 (4): 913-935, 2005, <https://www.jstor.org/stable/4132699>).