

THE UNIVERSITY OF CHICAGO  
Economics 303; Price Theory  
Spring 2009

P. Reny  
201A RO  
Office Hours: By appointment

Assessment for this half of the quarter:  
Weekly Problem Sets 30%, Final Exam 70%.

**Principal Text**

(JR) Jehle and Reny (2000): *Advanced Microeconomic Theory*. New York: Addison Wesley.

**Supplementary Text**

(MWG) Mas-Colell, Whinston and Green (1995): *Microeconomic Theory*. Oxford, Oxford University Press.

**Lecture 1:** Information, Efficiency, and Market Failure

JR pp. 330-335  
MWG pp. 436-450

**Lectures 2-4:** Signaling Games; Pooling and Separating Equilibria

JR pp. 335-353  
MWG pp. 450-460

**Lectures 5-6:** Screening games; Pooling and Separating Equilibria

JR pp.353-362  
MWG pp. 460-472

**Lectures 7-8:** Moral hazard and the principal-agent problem

JR pp. 362-369  
MWG pp. 477-488

**Lectures 9-10:** Mechanism Design

**Supplementary Reading** ([x] indicates topic covered in lecture x)

Akerlof, G. (1970): "The Market For 'Lemons': Quality Uncertainty and the Market Mechanism," *Quarterly Journal of Economics*, 84, 488-500. [1]

Cho, I. K. and D. Kreps (1987): "Signaling Games and Stable Equilibria," *Quarterly Journal of Economics*, 102, 179-221. [2-4]

Clarke, E.H.: "Multipart Pricing of Public Goods," *Public Choice*, 1971, 11, 17-33. [9]

- Cramton, P., R. Gibbons, and P. Klemperer: "Dissolving a Partnership Efficiently," *Econometrica*, 1987, 55, 615-632. [9]
- Groves, T. (1973): "Incentives In Teams," *Econometrica*, 41, 617-631. [9]
- Grossman, S. J. and O. D. Hart (1983): "An Analysis of the Principal-Agent Problem," *Econometrica*, 51, 7-45. [7-8]
- Holmstrom, B. (1979): "Moral Hazard and Observability," *Bell Journal of Economics*, 10, 74-91. [7-8]
- Maskin, E. and J. Riley: "Monopoly with Incomplete Information," *Rand Journal of Economics*, 1984, 15, 171-96. [9]
- Mirrlees, J.: "An Exploration in the Theory of Optimal Income Taxation," *Review of Economic Studies*, 1971, 38, 175-208. [9]
- Mirrlees, J.: "The Theory of Optimal Taxation," In *The Handbook of Mathematical Economics*, 1986, vol. 3, K. Arrow and M. Intrilligator, eds., Amsterdam: North-Holland. [9]
- Mussa, M. and S. Rosen: "Monopoly and Product Quality," *Journal of Economic Theory*, 1978, 18, 301-317. [9]
- Myerson, R.B. (1981): "Optimal Auction Design," *Mathematics of Operations Research*, 6, 58-73. [9]
- Myerson, R. B., and M. A. Satterthwaite (1983): "Efficient Mechanisms for Bilateral Trading," *Journal of Economic Theory*, 29, 265-281. [9]
- Rothschild, M., and J. E. Stiglitz (1976): "Equilibrium in Competitive Insurance Markets: An Essay on the Economics of Imperfect Information," *Quarterly Journal of Economics*, 90, 629-649. [2-6]
- Shavell, S. (1979): "Risk-Sharing and Incentives in the Principal and Agent Relationship," *Bell Journal of Economics*, 10, 55-73. [7-8]
- Spence, M. (1973): "Job Market Signaling," *Quarterly Journal of Economics*, 87, 355-374. [2-4]
- Wilson, C. (1977): "A Model of Insurance Markets with Incomplete Information," *Journal of Economic Theory*, 16, 167-207. [2-6]