

EC470 - Advanced Microeconomic Theory - Tentative Syllabus

Instructor: Ken Jackson

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- Office hours (subject to change): Monday through Thursday, 10:00-11:00am.

Course Description

An in-depth study of microeconomic theory and its applications as represented by published articles in academic journals and other contemporary literature. Topics may include moral hazard, adverse selection, principal-agent interactions, problems relating to insurance markets, co-operation through self-interest and endogenous market structure. [WLU Calendar]

Text and Readings

The course is based on published academic articles, with no required textbook. An intermediate microeconomics text, such as Varian's "Microeconomic Theory", may be useful for review. The lectures will be based on the articles listed below, with the quizzes and exam based on the material covered in lectures.

Evaluation

There are two main areas of evaluation for this course. 65% of your grade will be based on the final exam and 4 in-class quizzes. 35% will be on a course project that has 3 elements over the term.

Quizzes and Exams - 65%

- 4 quizzes, **tentatively** scheduled for Jan.23rd, Feb.13th, Mar.13th and April 3rd.
- All quizzes will start sharply at 8:30, and end at 9:15.
- Each quiz counts for 8% of your grade, remaining 33% is the cumulative final exam.
- The grade on the final will replace any lower quiz grades - no notes or excuses required for missed quizzes.
- Each quiz is an opportunity to improve your grade with no risk. I strongly recommend that you study for and write all 4 quizzes.

Theoretical Analysis - 35%

Each student will analyze a specific issue involving imperfect information in a strategic setting. Students will review a related article (750-1000 words), submit a draft for peer-editing, peer-edit two papers, and submit a final paper (2000-3000 words). Detailed requirements for each stage will be posted to My Learning Space.

- February 4th, anytime - Topic proposal.
 - February 28th, anytime - Article review (10%)
 - March 18th, 8am - submit a draft for peer-editing. Those that do not submit a sufficient draft will not receive papers for editing, and will receive no marks for that element.
 - March 22nd, anytime - Peer-editing due (5%)
 - April 8th, anytime - Submit the final paper (20%).
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Late Penalties and Regrading

Late submission of the paper or review will be penalized at the rate of 25% per day. Late submission of the proposal will result in a 10% penalty per day *assessed to the final paper*. Late submission of the draft means missing out on the peer-editing exercise, and the associated grades. Regrade requests on any assessment will be considered if submitted within one week of your receipt of the mark, and accompanied by a written statement of the grounds for the request. The entire assignment or exam will be regraded and the final mark could increase or decrease.

Accessible Learning Statement

Students with disabilities or other special needs are advised to contact Laurier's Accessible Learning Centre for information regarding its services and resources. Students are encouraged to review the Calendar for information regarding all services available on campus.

Academic and Research Misconduct

You are reminded that the University will levy sanctions on students who are found to have committed, or have attempted to commit, acts of academic or research misconduct. You are expected to know what constitutes an academic offense, to avoid committing such offenses, and to take responsibility for your academic actions. For information on categories of offenses and types of penalty, please consult the relevant section of the Undergraduate Academic Calendar. If you need clarification of aspects of University policy on Academic and Research Misconduct, please consult your instructor. Wilfrid Laurier University uses software that can check for plagiarism. Students may be required to submit their written work in electronic form and have it checked for plagiarism. Please note that papers submitted must be substantially different from previous, concurrent or future work. If you have any questions, please see me.

Course Outline and Tentative Calendar

The schedule is subject to change at the instructor's discretion. You will be notified of any changes. It is my expectation that you will have read each paper before the class on the date listed. The electronic version contains links to the articles, though you may need to be logged in to the WLU system to access the articles (most are via JSTOR or the journal websites).

Cooperation and Self-Interest

1. January 7th - Introduction to game theory
2. January 9th - Modeling strategic situations
3. January 14th - Cooperation and trust
4. January 16th/21st - Uncertainty, vulnerability and trust
5. January 23rd - Quiz #1, Paper proposals

Reading List

- [An Introduction to Applicable Game Theory - Robert Gibbons](#) - January 9th
- [Trust and Vulnerability - Chris Bidner and Ken Jackson](#) - January 16th

Economics of Hidden Characteristics - Adverse Selection

1. January 28th - The Market for Lemons
2. January 30th/February 4th - Insurance with hidden characteristics
3. February 6th - Signaling and Education
4. February 11th - Signaling and policy design
5. February 13th - Quiz #2, Writing the article review

Reading List

- [The Market for "Lemons": Quality Uncertainty and the Market Mechanism - George Akerlof](#) - January 28th
- [Equilibrium in Competitive Insurance Markets: An Essay on the Economics of Imperfect Information - Michael Rothschild and Joseph Stiglitz](#) - February 4th.
- [Job Market Signaling - Michael Spence](#) - January 30th
- [Doing Good or Doing Well? Image Motivation and Monetary Incentives in Behaving Prosocially - Ariely, Bracha and Meier](#) - February 11th.

Moral Hazard and the Principal-Agent Problem

1. February 25th - Insurance with hidden actions
2. February 27th - Insurance continued, Introduction to principal-agent models
3. March 4th/6th - Principal-Agent models continued
4. March 6th/11th - Multi-task Agents
5. March 13th - Quiz #3, Writing the paper

Reading List

- Course notes on the principal-agent model - on MyLS - February 27th.
- **Incentives in Principal-Agent Relationships - David E.M. Sappington** - February 27th.
- **Multitask Principal - Agent Analyses: Incentive Contracts, Asset Ownership, and Job Design - Bengt Holmstrom and Paul Milgrom** - March 6th
- **Fairness and Incentives in a Multi-Task Principal-Agent Model - Ernst Fehr and Klaus M. Schmidt** - March 6th.

Alternative Preferences and Economic Policy

1. March 18th - Experimental economics and non-standard preferences
2. March 20th - Evolutionary game theory
3. March 25th - Group identification and preferences
4. March 27th - Trustworthiness as a preference
5. April 1st - Mission-oriented workers and economic policy
6. April 3rd - Quiz #4, Review

Reading List

- **Psychological Foundations of Incentives - Ernst Fehr and Armin Falk** - March 18th
- **Us and Them: The Origin of Identity, and its Economic Implications - Eaton, Eswaran and Oxoby** - March 25th
- **Contract Enforceability and the Evolution of Social Capital - Ken Jackson** - March 27th
- **Pro-Social Motivation and the Delivery of Social Services - Francois and Vlassopoulos** - April 1st