

Brown University  
Economics 206  
Microeconomics II

Spring 2006

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### General References

The primary reference is

Mas-Colell, A., M. Whinston and J. Green (1995), *Microeconomic Theory*, Oxford University Press, Oxford.

Other references are:

Jehle, G. and P. Reny (1998), *Advanced Microeconomic Theory*, Addison-Wesley, Reading, MA.

Kreps, D. (1990), *A Course in Microeconomic Theory*, Princeton University Press, Princeton, NJ.

Kreps, D. (1988), *Notes on the Theory of Choice*, West View Press.

Gibbons, R. (1992), *Game Theory for Applied Economists*, Princeton University Press, Princeton, NJ.

Feldman, A. and R. Serrano (2006), *Welfare Economics and Social Choice Theory, 2nd Edition*, Springer, New York, Chapters 7 and 8.

Tirole, J. (1988), *The Theory of Industrial Organization*, MIT Press, Cambridge, MA.

## Syllabus

### 1. Preliminaries.

1.1. Decision Making under Uncertainty: preferences over lotteries, expected utility, risk aversion, stochastic dominance. (Mas-Colell *et al.*, Chapter 6) - 4 classes.

1.2. Non-Cooperative Game Theory: representations of games (extensive form and normal form), solution concepts (dominance and Nash equilibrium), static games of complete and incomplete information, dynamic games, subgame perfection, dynamic games of incomplete information. (Mas-Colell *et al.*, Chapters 7-9) - 4 classes.

### 2. Market Failures.

2.1. Externalities and Public Goods: bilateral externalities, presence of public goods, multilateral externalities, externalities with incomplete information. (Mas-Colell *et al.*, Chapter 11) - 4 classes.

2.2. Market Power or Imperfect Competition: monopoly, static oligopolies, repeated oligopolistic competition, entry, precommitment decisions, the competitive limit. (Mas-Colell *et al.*, Chapter 12) - 6 classes.

2.3. Asymmetric Information: adverse selection, signaling, screening, moral hazard. (Mas-Colell *et al.*, Chapters 13-14) - 4 classes.