

**Boston College**  
Department of Economics  
Microeconomics III - Decision and Game Theory  
EC 702 - Autumn 1996

Professor W. Bentley MacLeod  
Carney Hall 246  
Office Hours: Tuesdays 2:30pm - 4:00pm or by appointment.

**Evaluation:**

1. 30% - Midterm Exam: October 17, 1996.
2. 20% - Problem Sets - assigned every week.
3. 50% - Final Exam.

**Reading List**

**Books:** (On reserve in O'Neil library)

Savage, Leonard, 1972, *The Foundations of Statistics*, Dover Publications, New York. This is abbreviated S.

Mas-Colell, A., M. Whinston and J. Green, 1995, *Microeconomic Theory*, Oxford University Press. This is abbreviated MWG.

Diamond, P. and M. Rothschild, (editors) 1989, *Uncertainty in Economics*, Academic Press. This is abbreviated DR.

Fudenberg, Drew and Jean Tirole, 1991, *Game Theory*, The MIT Press, Cambridge, MA. This is abbreviated DT.

Myerson, Roger B., 1991, *Game Theory*, Harvard University Press, Cambridge, MA. This is abbreviated M.

**1. Choice under Uncertainty**

1. S - chapters 1- 5.
2. MWG - chapter 6.
3. DR - chapters 3, 4.
4. M - chapter 1.
5. Machina, M., 1987, "Choice under Uncertainty: Problems Solved and Unsolved," *The Journal of Economic Perspectives*, 1, 121-154.

**2. Multi-person decision theory: The definition of a game**

1. MWG - chapter 7.
2. FT - chapter 1.1
3. M - chapter 2.

**3. Nash Equilibrium: Definition and existence**

1. MWG - chapter 8.
2. FT - Sections 1.2, 1.3, 2.
3. M - chapter 3.

**4. Repeated Games: The folk theorem and supporting cooperation**

1. MWG - chapters 9, 12.
2. FT - chapter 5.
3. M - chapter 7.

**5. Bargaining**

1. MWG - Chapter 9.A, chapter 22.
2. M - Chapter 8.

**6. Applications to problems of signalling, screening and moral hazard**

1. MWG - chapters 13, 14.
2. DR - chapters 15 - 10.

**7. Asymmetric Information and Mechanism Design**

1. MWG - 23.
2. FT - 7.
3. Myerson, R., 1979, "Incentive Compatibility and the Bargaining Problem," *Econometrica*, 47: 61-73.