
Syllabus for Economics 201B

First Half

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Course Overview

The first half of Economics 201B will be devoted to the following topics:

- Pricing
- Mechanism Design
- Agency Theory

If time permits, other topics may be covered.

Basic Information

Time and Place: Tuesdays and Thursdays, 3:30–5, in 20 Barrows Hall.

Course Website: <http://faculty.haas.berkeley.edu/hermalin/econ201b.html>

Readings: It is expected that students have access to *Microeconomic Theory* by Andreu Mas-Colell, Michael Whinston, and Jerry Green, Oxford: Oxford University Press, 1995 (hereafter MWG). In addition, there is a reader, “Lecture Notes for Economics,” that is posted on the course web page. Should additional readings be required, they will be posted to the website or be available electronically through JSTOR or the UC Library system.

Contact Information: Ben Hermalin’s contact information —

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- *Office Hours:* Wednesdays 8:30–10:00 and by appointment

Exam: There will be an in-class exam on March 10, 2005. This will be the only exam for this half of the course and will fully determine your grade for this half. *Please note: In fairness to everyone, I cannot make exceptions to the date and time of the exam.* As preparation for the exam, there will be ungraded problem sets distributed weekly through the course website.

Answer keys will also be distributed and the problems will be discussed in section.

Please note, as well: The *final* exam for Econ. 201B will be 12:30-3:30 on Friday, May 20, 2005. In fairness to everyone, Professor Anderson will not make exceptions to the date and time of the exam. The final examination covers material from the second half of Econ. 201B.

Topic Overview and Readings

Pricing

This section of the course concerns pricing by a seller with market power who does not face strategic considerations *vis-à-vis* competitive rivals (*e.g.*, a monopolist).

Topics

- Review of the use of consumer surplus as a measure of consumer welfare.
- Linear pricing and its welfare implications.
- First-degree price discrimination and two-part tariffs.
- Second-degree price discrimination.
- Third-degree price discrimination.
- Bundling.

Readings

The main reading is Part I of “Lecture Notes for Economics,” which can be downloaded from the course website. In addition, students should read Sections 3.I and 12.B of MWG. A substitute for Section 3.I is Chapter 10 of Hal Varian’s *Microeconomic Analysis*.

Mechanism Design

This part of the course covers the basics of mechanism design (screening). It also considers implementation problems.

Topics

- The discrete (two-type) screening model
- The continuous-type screening model
- Groves mechanisms

- Bayesian mechanisms
- Applications

Readings

The main reading is Part II of “Lecture Notes for Economics.” In addition, students should read Section 14.C and Chapter 23 of MWG.

Agency Theory

This part of the course addresses hidden-action agency problems (moral hazard).

Readings

The main reading is Part III of “Lecture Notes for Economics.” In addition, students may wish to consult Section 14.B of MWG.