

Microeconomics III (20 hours) –

- Mechanism design and incentives. Implementation of social choice functions through mechanisms: dominant strategy implementation and Bayesian implementation. The revelation principle. The quasi-linear environment: Vickrey-Clark-Groves mechanisms. Participation as a constraint.
- Applications: Screening problem. Single unit auctions: incentive compatibility and individual rationality. Revenue maximising mechanisms and efficient mechanisms. Moral hazard: the basic trade-offs.

(Based on Chp. 23 of Mas Colell-Whinston-Green, on Chpp. 2&3 of “An Introduction to the Theory of Mechanism Design” by T. Borges; Chpp.2 & 4 of "The Theory of incentives" by Laffont and Martimort)