

University of California- Santa Barbara
Economics 100C: Topics in Microeconomic Theory
<http://www.econ.ucsb.edu/~pjkuhn/Ec100C/Ec100Chome.html>
Syllabus

This course covers key topics in micro theory that are not covered in Econ 100A and B. The primary focus is on the economics of information. The course is aimed at students with a serious interest in economics (as distinct from business), who may be considering graduate study in that field.

Economics 100A and B are prerequisites for this course; in addition to those courses you should be comfortable with basic calculus and probability. Our goals *and* methods will be different from Ec100AB however. The goals are (a) to introduce you to the main ideas in the economics of information; (b) to introduce you to the process of reading economic research in its original form --journal articles--; and (c) to acquire some analytic tools, as needed, in the process. Since some of the material we will be reading is very advanced, **I do not expect you to understand every equation in every article we read.**

Because the class size is small, however, I do, however, have very specific expectations regarding participation. Since **everyone will be called upon and expected to participate**, you will not feel comfortable --nor will you get much out of the class-- unless you **read the assigned articles BEFORE attending class**. Specifically, each week we will read one article in detail as a group. This "main" article is indicated in **bold** in the reading list below. Every Tuesday I will lecture on that article, presenting a basic version of the model that you will be expected to know for exams. Thursdays are discussion day. At the end of each Tuesday class I will assign some supplementary readings (the non-bolded articles in the reading list) and some discussion questions. On Thursdays I will *randomly* call on you to present your answer to the discussion questions or to discuss the supplementary reading. On Thursdays, you are also encouraged to ask questions about Tuesday's lecture. **I will not lecture on Thursdays. If this class is to work, you must therefore come prepared.**

Evaluation in the course will consist of:

Class participation:	30%
Midterm (Thurs. May 1, in class)	25%
Final	45%

There is no course text, but I recommend that you keep your copy of Varian from Econ 100A and B, as we will draw on it from time to time. A course reader containing all the articles we will discuss is available from **the alternative copy shop** in Isla Vista for \$26.82 and I recommend that you buy it. Alternatively, links to all of the readings are provided on the class web site, as well as on the library's electronic reserve (Eres) system.

ECONOMICS 100C SCHEDULE OF CLASSES, SPRING 2003

Week 1 (April 1 and 3): INTRODUCTION AND WARM-UP DISCUSSION OF:

Kuhn, Peter and Mikal Skuterud. "Internet Job Search and Unemployment Durations" IZA discussion paper no. 613 (October 2002).

Week 2: (April 8 and 10) THE ECONOMICS OF SEARCH

Stigler, George. "The Economics of Information" *Journal of Political Economy*, Vol. 69, No. 3. (June 1961), pp. 213-225.

Brown, Jeffrey and Austan Goolsbee. "Does the Internet Make Markets More Competitive?" *Journal of Political Economy*, 110(3) (June 2002): 481-507

Week 3 (April 15 and 17) PUBLIC GOODS AND SUPERSTARS

Chapter 35 in Hal Varian, *Intermediate Microeconomics: A Modern Approach*. (6th edition) New York: W. W. Norton, 2003.

Rosen, Sherwin. "The Economics of Superstars" *American Economic Review* Vol. 71, No. 5. (Dec., 1981), pp. 845-858

Krueger, Alan. "How Much is Too Much? The Economics of Concert Ticket Prices" *Pollstar*, March 4, 2002: 16-21

Week 4 (April 22 and 24) ADVERSE SELECTION I: THE "LEMONS" PROBLEM

Chapter 36 in Hal Varian, *Intermediate Microeconomics: A Modern Approach*. (6th edition) New York: W. W. Norton, 2003.

Akerlof, G. "The Market for 'Lemons': Quality Uncertainty and the Market Mechanism". *Quarterly Journal of Economics* Vol. 84, No. 3. (Aug., 1970): 488-500

Week 5 (April 29 and May 1) REVIEW (Tuesday) and MIDTERM (Thursday)

Week 6 (May 6 and 8) ADVERSE SELECTION II: SIGNALLING

Spence, Michael. "Job Market Signalling". *Quarterly Journal of Economics* 87(4) (Nov. 1973): 355-374

Bedard, Kelly. "Human Capital Versus Sorting Models: University Access and High School Drop-outs," *Journal of Political Economy*, 2001, 109(4):749-775.

Week 7 (May 13 and 15) ADVERSE SELECTION III: SCREENING

Rothschild, M. and J. Stiglitz. "Equilibrium in Competitive Insurance Markets: An Essay on the Economics of Imperfect Information" *Quarterly Journal of Economics* 90(3) (August 1976): 629-649

Salop, S. and J. Salop. "Self-Selection and Turnover in the Labor Market". *Quarterly Journal of Economics* 90(3) (August 1976): 619-627

Week 8 (May 20 and 22) MORAL HAZARD I: INSURANCE MARKETS

Pauly, Mark. "The Economics of Moral Hazard: Comment" *American Economic Review* 58(3) (June 1968): 531-537

Davies, James B. and Peter Kuhn. "Social Security, Longevity and Moral Hazard" *Journal of Public Economics* 49 (1992): 91-106

Week 9 (May 27 and 29) MORAL HAZARD II: LABOR MARKETS

Kreps, David M. *A Course in Microeconomic Theory* Princeton: Princeton University Press, 1990. pages 577-585.

Lazear, E. "Performance Pay and Productivity" *American Economic Review* 90(5) (December 2000): 1346-1361.

Week 10 (June 3 and 5) INFORMATION SPILLOVERS AND SOCIAL LEARNING

Bikhchandani, Sushil; David Hirshleifer; and Ivo Welch. "A Theory of Fads, Fashion, Custom, and Cultural Change as Informational Cascades" *Journal of Political Economy*, Vol. 100, No. 5. (Oct., 1992), pp. 992-1026.

Kuhn, P. and W. Gu. "Learning in Sequential Wage Negotiations: Theory and Evidence" *Journal of Labor Economics* 17 (January 1999): 109-140