Spring 2024

Harvard Kennedy School
Harvard University

Advanced Microeconomic Policy Analysis II
API-110
Course Syllabus

Faculty: Faculty Assistant
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Office Hours: ey
            are full, please contact e for a different time.

        Teaching Fellow:

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Shreya Dubey   shreyadubey@hks.harvard.edu
                       Office Hours: TBD (see Canvas for most updated details)

Course Assistants:
Phil Salazar

Class Meetings and Review Sessions:
The course meets twice per week for lecture:
- Tuesday and Thursday, 10:30a – 11:45a ET
- Location: L140

There will also be a weekly review session offered by the Teaching Fellow; these sessions are identical
- Friday, 01:30p – 02:45p ET or 3:00p – 4:15p ET, both in W436.

In addition, Course Assistants will hold weekly office hours to help with the homework and basic conceptual questions. Students are encouraged to consult the Teaching Fellow and the instructors for more advanced questions.

Prerequisites:
API-109 or its equivalent. For equivalent courses, the same prerequisites as in API-109 apply.

Grading:
Grades for the course will be assigned based on:

Problem Sets	20%
Midterm	30%
Final	50%

Examinations:
There will be a midterm examination on Thursday, March 7 during class time and the final examination is scheduled for Monday, May 6th from 09:00a – 12:00p.

Problem Sets
There will be a total of 8 Problem

Readings:

In addition to the texts used in AP109 (MWG in particular), the following books are required for this course:

- Game Theory for Applied Economists by Robert Gibbons (G), Princeton University Press, 1992.
- The Economics of Contracts by Bernard Salanie (S), MIT Press, 2nd edition, 2017.

We are working with the Office of Course Materials to make the required texts available in a digital format. We will also assign a set of selected academic papers to read. Readings from academic journals can be accessed on the course website (Canvas) or through the Harvard Library. Any additional readings and supplementary notes will be posted to Canvas.

Students may also want to consult the following optional texts

Theory:
Fudenberg, Drew. Game Theory. 1991
Kreps, David Game Theory and Economic Modeling 1990
Hart, O. Firms, Contracts and Financial Structure. 1995
Kreps, David. A Course in Microeconomic Theory. 1990
Varian, H. Microeconomic Analysis. 1992

Application/Development
Wydick, Bruce. Games in Economic Development. 2007
Basu, K. Analytic Development Economics. 1998
Ray, Debraj. Development Economics. 1998
Bardhan, P and C. o8Body 153 Td <.34 (.)1.6 (o8 60 1 Tf [(Devel)c 0.001 Tw 4.678 0 1.11( )Tj 0.-1.7 (o)-3.7 (p

*Murphy, K.M., Shleifer, A. and Vishny, R.W., 1989. "Industrialization and the Big Push." *Journal of Political Economy*97(5)*, pp.1003-1026.

I.B. Dynamic Games of Complete Information

Lecture 7-8:
- Perfect Information Games, Backward Induction   (G 2.1.A)
- Extensive & Normal Form Representation   (G 2.4.A, MWG 7.C-D)
- Subgame Perfect Nash Equilibrium (SPNE)   (G 2.2 A, G 2.4.B, MWG 9.A-B)
- Application: Stackleberg Competition   (G 2.1.B)
- Application: Bank Runs   (G 2.2.B, MWG 9.C) 2007 (h-07) EMC3 (Lecture) MCD 0.74 BD

*Banerjee, A., 1997. "A Theory of Misgovernance," Quarterly Journal of Economics, Vol. 112(4), p. 1289-1332.

I.E. Moral Hazard and Incentive Contracts

Lecture 22-23:
- Moral Hazard   (S 5.12, MWG 14.B)

Lecture 24:
- Application: Sharecropping

   Banerjee, A.V., Gertler, P.J. and Ghatak, M., 2002. "Empowerment and Efficiency: Tenancy Reform in West Bengal". Journal of Political Economy, 110(2), pp.239-280.

   Foster, A and M. Rosenzweig, 1994. "A Test for Moral Hazard in the Labor Market: Contractual Arrangements, Efficiency and Health," Review of Economics and Statistics, Vol. 76, pp. 213-227.

Lecture 25:
- Final Review

Final Exam (09:00a – 12:00p ET) – Monday, May 6th