EC 441/633
Economic Systems Design II
Spring 2012
Monday 4:30 – 7:10 pm, Science and Technology I, room 124

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Office Hours: Monday, 3:00-4:15pm, room 344 Enterprise Hall, or by appointment

Course Objectives: The course introduces students to exchange institutions in economics, focusing on matching institutions and contract design, both theoretically and empirically. The class will combine presentation of theoretical models and empirical evidence of existing institutions. While treatment in this literature can be quite mathematical, the class will attempt to present the material rigorously but not overly technically. Students will learn about market design and, by the end of the course, will complete a project that analyzes a real-life allocation problem. Students are not required to take EC 440/632 (ESD I) to enroll in this course, however having done so will not be unhelpful. For students interested in completing the certificate in Economic Systems Design, this is the second course in the required sequence.

Prerequisites: Calculus, probability theory, intermediate microeconomics, patience.

Texts: There are no required texts for the class. We will work from lecture notes and journal articles. On days when there are assigned readings, students are expected to have read them before class and participate in discussion of the research.

In-class Quizzes: There will be regular in-class quizzes. These will be announced ahead of time. Quizzes will be based on lecture material and readings. Quizzes count for 40% of the course grade. I will drop your worst two quiz scores and use the remaining to determine the grade.

Project: There will be no exams for the course, but students will be required to submit a project design paper. The purpose of the project is to have students draw upon the tools covered in class to study an existing market that solves an allocation problem or an environment with a potential role for a market. Papers should provide a clear description of the allocation problem and relevant market design questions, describe and evaluate what has been done previously to address this type of problem, describe improvements to the current design (or describe your new design) and provide predictions of how the design will work. Projects will be presented to the class during the last weeks of the semester. More details will be discussed as the semester progresses.

Look for project ideas in newspapers and from your own experience. Lists of project ideas used in other courses will be posted on Blackboard. To get you started thinking early about ideas, a one-page description of what you propose to do for your project must be submitted to me during the fourth week of class (Feb 13).

Grading: 40% in-class quizzes, 60% Project.
Blackboard: Class announcements, schedule of readings, and other important information will be posted on Blackboard.


Disabilities If you are a student with a disability and you need academic accommodations please see me and contact the Office of Disability Resources at (703) 993-2474. All academic accommodations must be arranged through that office. You must contact me within the first week of classes to arrange accommodations.

Course Outline

This is an outline. There will most likely be changes and additions during the semester as we adjust for time to cover the topics listed below and student interest. Any changes will be announced in class and posted on Blackboard

1. Introduction, Social Choice and Public Goods (3 weeks)
2. Matching, theory and applications (5 weeks)
3. Auction, applications (2 weeks)
4. Contracts (2 weeks)
5. Student Presentations (2 weeks)

Reading List

1. Introduction, Social Choice and Public Goods


Mas-Colell, Andreu, Michael Whinston and Jerry Green, Microeconomic Theory, 1995, chpts 21 & 23. (Another treatment of the topics can be found in Varian’s Intermediate Microeconomics, chpt 32 & 35, or other intermediate textbooks.)

2. Matching


Unraveling


Kidney Exchange


Labor Markets


School Choice


Dating


3. *Auctions*


4. *Contracts*
