Summary
Game theory deals with multiperson strategic decision making. Major fields of Economics, such as Microeconomics, Corporate Finance, Market Microstructure, Monetary Economics, Industrial Organization, International Trade Theory all build on game theoretic foundations.

Content
The aim of the course is to provide an introduction to non-cooperative game theory for PhD and advanced graduate students. Topics are selected on the basis of their relevance for active areas of research in Finance. They contain an analysis of non-cooperative static and dynamic games. Emphasis is placed on the role of information in determining game outcomes, in designing incentives and in renegotiating existing incentive schemes.

1. Static Games of Complete Information
   a. Course overview
   b. Strategic-Form Games
   c. Iterated Strict Dominance
   d. Pure-Strategy Nash Equilibrium
   e. Mixed-Strategy Nash Equilibrium
   f. Correlated Equilibrium

2. Dynamic Games of Complete Information
   a. Extensive Form Games
   b. Subgame Perfect Nash Equilibria
   c. Repeated Games and Folk Theorems
   d. Bargaining à la Rubinstein-Stahl

3. Static Games of Incomplete Information
   a. Bayesian Equilibrium
   b. Public good provision
   c. War of Attrition
   d. Purification and Mixed Strategies
   e. Market for Lemons
   f. No trade theorems

4. Auctions
   a. Orders of Stochastic Dominance
   b. First Price Auctions
   c. Dutch Auctions
   d. Second Price Auctions
   e. English Auctions
   f. Revenue Equivalence
   g. Common Values
   h. Share Auctions

5. Global Games
   a. Global games vs Bayesian Games
   b. Currency Attacks
   c. Coordination Likelihood

6. Mechanism Design
a. Definition of Mechanism
b. Revelation Principle
c. Optimal Mechanisms
d. Vickrey-Clarke Groves Mechanisms
e. Budget Balance

7. Dynamic Games of Incomplete Information
a. Signalling Games
b. Perfect Bayesian Equilibrium
c. Reputation
d. Pooling, Separating and Semi-Separating Equilibria
e. Spence’s Education Model
f. Equilibrium Refinements

8. Moral Hazard
a. Linear Contracts
b. General Contracts
c. Dynamic Moral Hazard
The emphasis given on alternative topics may vary depending on class needs and time restrictions

Keywords
Game Theory
Contract Theory

Learning Prerequisites

Required courses
Bachelor-level Calculus and Probability Theory

Recommended courses
Intermediate-level Microeconomics

Learning Outcomes
By the end of the course, the student must be able to:
• Define alternative notions of Equilibria
• Derive game equilibria and select among them
• Design games and incentive schemes to induce desired targets

Assessment methods
• The course is accompanied by 8 problem sets. They are excellent preparation for the exam, but do not count as part of the final grade.
• The final grade for the course is:

Grade=100%*Final Exam

Resources

Bibliography
No single textbook covers the entirety of the topics that we will consider. The required textbooks for the course are:

Students with no prior exposure to Game Theory, are highly recommended to accompany their study with the following introductory text:

Additional readings will be provided in class or electronically.
The following textbooks may also be helpful on some of the topics covered:

Ressources en bibliothèque
• Contract Theory / Bolton
• Game Theory / Fundenberg

Notes/Handbook

ACADEMIC INTEGRITY
Students are required to adhere to the following rules:
• Any material handed out in class is not to be distributed to any other students without permission from the instructor. Do not consult past editions of the Game Theory course.
• Any communication between students in different sections concerning the content of the class discussion of group assignments is prohibited.