

Course: Information Economics, Master and PhD, WS 2014

Teacher: Karl Schlag, office hours Thursday 11:30-12:15 or by appointment

Overview

In this course we will investigate how information, in particular how differences in information between economic agents, influences economic decisions and outcomes. An important part of the course will consist of modeling and then solving Microeconomic models that involve asymmetric information. Note that it is not always good to receive more information in strategic situations. Topics include moral hazard, signaling and adverse selection. Examples will include the hold up problem surrounding relation specific investments, the role of education as signaling device in the job market, the market for used cars and strategic behavior in auctions.

Prerequisites

This course belongs to the general area of Microeconomics. Particular attention will be put on modeling and solving models that involve asymmetric information. An important solution tool will be Game Theory. Master students are accepted upon individual basis, I will accept any master student who has passed our master game theory class. Buzz words will be perfect Bayesian equilibrium, pooling and separating equilibrium, incentive compatibility and individual rationality.

Organization

The course consists of 2 lecture hours per week. There will be a midterm (45%), a final exam (45%) and some homework assignments (10% of the grade).

References

Reading list will include:

Mas-Colell, Whinston, Green (chapters 13, 14, 23)

Botlon and Dewatripont (2004). Contract Theory, The MIT Press.

Salanie, B.(1997) The Economics of Contracts: A Primer, MIT Press.

Schlag, K.H. and Vida, P (2014), Commitments, Intentions, Truth and Nash Equilibria, working paper.