E611: Information Economics and Theories of Incentives and Contracts
Fall 2013
Department of Economics
IUPUI

Instructor:

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Office Hours: Thu 10:15a - 12:15p or by appointment

Class:

Meeting times: Tue and Thu 9:00a-10:15a
Course Webpage: oncourse.iu.edu
Classroom: IP222

Course Description:

This is the third course in the Ph.D. Microeconomics sequence. This course covers theoretical tools employed in analyses contracts and institutions in the presence of asymmetric information. Special emphasis will be placed on the analysis of health care and nonprofit sectors.

Learning Outcomes:

On completion of this course, you should be able to

1. Comprehend theoretical health and nonprofit economic analysis in leading economics journals
2. Conduct health and nonprofit economic research that is well informed by theory
3. Develop academic and professional communication skills

Recommended Textbooks:

Bolton, Patrick and, Martin Peitz, Contract Theory, MIT Press, 2005 (BD hereafter)

Reference Books:


Assessment:

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Academic Misconduct:

All assignments, essays, and tests must be original. I will follow university policy concerning academic misconduct. For more detail, see the Indiana University Code of Student Rights, Responsibilities and Conduct.
Topics and Readings:

Part I: Foundations

1. Introduction


GR, Subsection 2.4 and Chapter 7

2. Moral Hazard

GR, Chapter 8; BD, Chapter 4


3. Adverse Selection I: Screening

GR, Chapter 8; BD, Chapter 2


4. Adverse Selection II: Signaling

GR, Chapter 8; BD, Chapter 3


Part II: Extensions

5. Adverse Selection, Market Structure, and Regulation


6. Multidimensional Incentives

BD, Chapter 6


7. Dynamic Incentives

BD, Chapters 9 and 10


8. Expert and Agency Problem


9. Disclosure and Information Intermediary

BD, Chapter 5


10. Incomplete Contract and Institution Design

BD, Chapters 11 and 12


11. Behavioral Economic Theories of Incentives


