



Course and Examination Fact Sheet: Autumn Semester 2018

7,256: Advanced Microeconomics II: Incentive Theory

ECTS credits: 4

Overview examination/s

(binding regulations see below)

Decentral - Written examination (100%, 90 mins.)

Attached courses

Timetable -- Language -- Lecturer

[7,256,1.00 Advanced Microeconomics II: Incentive Theory](#) -- Englisch -- [Gärtner Dennis](#)

Course information

Course prerequisites

Solid knowledge in microeconomics (particularly: economics of uncertainty, game theory) and basic analytical tools (particularly: basic calculus, constrained optimization).

Course content

In many economic interactions, one party has an informational advantage over its partners in trade: a worker who knows own ability and effort better than the employer, and insuree who knows own risk and precautionary effort better than the insurer, an entrepreneur who knows business prospects better than credit lenders, etc.

This course develops the microeconomic toolkit to analyze such settings and to understand how these informational asymmetries affect the optimal design of contracts and ultimately efficiency of trade. The treatment is structured around the canonical two cases in which (i) a party has private information on inherent attributes (models of "screening" and "signaling"), and in which (ii) a party has private information on own actions (models of "moral hazard").

The course will discuss applications in various fields such as corporate finance, insurance economics, labor economics, and industrial organization. Contents will be precisely described on StudyNet at the beginning of the course sequence. A preliminary tentative outline includes the following topics:

- Introduction and preliminaries: trade under symmetric info, preview of informational issues.
- Monopolistic screening (context: selling a good).
- Competitive screening (context: insurance markets). Applications to corporate finance.
- Signaling (context: education and the labor market). Applications to corporate finance (certification and collateralization).
- Moral hazard (context: incentive contracts).

Course structure

- Contact-studies: develops theory and applications.
- Self-studies: exercise material, including further applications.

Course literature

- Contact studies are based on slides, lecture notes, book chapters and original journal articles.
- Self studies are based on exercise material which will be distributed.
- Precise documentation to be made available via StudyNet.

While there is no fixed required book for the course, useful supplementary readings can be found in:



- "Contract Theory," by Patrick Bolton and Matthias Dewatripont, MIT Press, 2004.
- "The Theory of Incentives," by Jean-Jacques Laffont and David Martimort, Princeton University Press, 2002.

Additional course information

Complete course information will be made available on StudyNet.

Examination information

Examination sub part/s

1. Examination sub part (1/1)

Examination time and form

Decentral - Written examination (100%, 90 mins.)

Remark

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Examination-aid rule

Extended Closed Book

The use of aids is limited; any additional aids permitted are exhaustively listed under "Supplementary aids". Basically, the following is applicable:

- At such examinations, all the pocket calculators of the Texas Instruments TI-30 series and mono- or bilingual dictionaries (no subject-specific dictionaries) without hand-written notes are admissible. Any other pocket calculator models and any electronic dictionaries are inadmissible.
- In addition, any type of communication, as well as any electronic devices that can be programmed and are capable of communication such as notebooks, tablets, PDAs, mobile telephones and others, are inadmissible.
- Students are themselves responsible for the procurement of examination aids.

Supplementary aids

None

Examination languages

Question language: English

Answer language: English

Examination content

Written exam is about contents of contact studies (slides and lecture notes, in particular) and self-study assignments (exercise material, in particular). More details to be specified in class and via StudyNet.

Examination relevant literature

Slides, lecture notes, book chapters, journal articles, exercises, as specified on StudyNet (as per the day after the last lecture).



Please note

We would like to point out to you that this fact sheet has absolute priority over other information such as StudyNet, faculty members' personal databases, information provided in lectures, etc. When will the fact sheets become binding?

- Information about courses and examination time (central/decentral and grading form): from the start of the bidding process on 23 August 2018
- Information about decentral examinations (examination-aid rule, examination content, examination relevant literature): after the 4th semester week on 15 October 2018
- Information about central examinations (examination-aid rule, examination content, examination relevant literature): from the start of the enrolment period for the examinations on 05 November 2018

Please look at the fact sheet once more after these deadlines have expired.