



## Course and Examination Fact Sheet: Autumn Semester 2019

### 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/Canvas 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/Canvas.

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/Canvas.

## 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

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## 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/Canvas.

## Examination relevant literature

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



### Please note

Please note that this fact sheet alone is binding and has priority over any other information such as StudyNet (Canvas), personal databases or faculty members' websites and information provided in their lectures, etc.

Any possible references and links within the fact sheet to information provided by third parties are merely supplementary and informative in nature and are outside the University of St.Gallen's scope of responsibility and guarantee.

Documents and materials that have been submitted no later than the end of term time (CW51) are relevant to central examinations.

Binding nature of the fact sheet:

- Information about courses and examination time (central/decentral) and examination type starting from the beginning of the bidding on 22 August 2019
- Information about examinations (examination aid regulations, examination content, examination-relevant literature) for decentral examinations after the 4th semester week on 14 October 2019
- Information about examinations (examination aid regulations, examination content, examination-relevant literature) for central examinations as from the starting date for examination registration on 4 November 2019

Please consult the fact sheet again after these deadlines have expired.