



Course and Examination Fact Sheet: Spring Semester 2026

10,388: Economics of Contracts

ECTS credits: 4

Overview examination/s

(binding regulations see below)

decentral - Active participation, Analog, Individual work individual grade (25%)

Examination time: Term time

decentral - Written work, Digital, Individual work individual grade (35%)

Examination time: Term time

decentral - Written work, Digital, Individual work individual grade (40%)

Examination time: Term time

Attached courses

Timetable -- Language -- Lecturer

[10,388,1.00 Economics of Contracts](#) -- English -- [Yildirim Huseyin](#)

Course information

Prerequisites

First-year PhD microeconomic theory.

Learning objectives

By the end of the course, participants should be able to:

1. Formulate and solve canonical principal–agent problems under hidden information and hidden action.
2. Analyze participation and incentive constraints and interpret efficiency and rent-extraction trade-offs.
3. Understand the design of dynamic and implicit incentives such as career concerns.
4. Evaluate the role of relative and team-based incentives in multi-agent environments.

Content

This blocked-course offers a concise and rigorous introduction to modern contract theory, focusing on how informational asymmetries—hidden information (adverse selection) and hidden action (moral hazard)—shape contractual design and incentives. Using the canonical principal–agent framework, we develop core insights for adverse selection and moral hazard and then examine implicit incentives driven by career concerns—concerns for future job opportunities and wage offers based on perceived ability. The emphasis is on modeling and analytical techniques, with applications to regulation, procurement, and internal labor markets. The course aims to equip students with some standard tools for research in applied microeconomic theory and organizational economics.

Structure and indications of the learning and teaching design

The course is organized as an intensive block seminar held over several closely scheduled teaching days. It combines structured lectures with interactive components that allow students to directly apply and deepen the theoretical concepts introduced in class. The course follows a coherent progression: it begins with the foundational principal–agent framework and then builds toward key applications such as screening, moral hazard, career-concerns-based incentives, and team incentives.



The teaching design is analytically rigorous and problem-driven. Students engage with the material through a mix of instructor-led sessions, group discussions, and analytical exercises. They work both individually and in small groups on problem sets that reinforce the theoretical tools introduced in the lectures. This combination of conceptual input and hands-on problem solving is intended to strengthen students' ability to formulate, analyze, and interpret core models in contract theory and organizational economics. Lecture notes form the primary teaching material, supplemented by optional readings from the contract-theory literature.

Preliminary Plan:

Day 1

Introduction and Basic Screening Model: The principal-agent framework; incentive and participation constraints; envelope theorem; monotonicity and ironing.

Day 2

Countervailing Incentives and Sequential Screening: Type-dependent outside options and dynamic (two-stage) screening.

Day 3

Moral Hazard: First-order approach, risk-incentive trade-off, and linear contracts.

Day 4

Implicit Incentives: Career Concerns: Reputation-based incentives, dynamic effort provision.

Day 5

Team Incentives: Contracts with multiple agents, free-riding and tournament incentives.

Preliminary Daily Format:

10:00 – 12:15 Session 1 (15 min break)

12:15 – 13:30 Lunch

13:30 – 16:00 Session 2 (15 min break)

Literature

Lecture notes:

To be distributed before classes.

Textbooks (Optional):

- Laffont & Martimort (2002), *The Theory of Incentives: The Principal-Agent Model*, Princeton UP.
- Bolton & Dewatripont (2005), *Contract Theory*, MIT Press.

Suggested articles during class.

Additional information

Prof. Huseyin Yildirim is Professor of Economics at Duke University since 2000. He joined Duke Economics after receiving a Ph.D. from the University of Florida. He is an applied microeconomic theorist with broad interests. He has written on such varied topics as dynamic procurement auctions, charitable fundraising, committee design, and, most recently, career concerns in teamwork and tournaments. His work has appeared in top economics journals, including *American Economic Review*, *Review of Economic Studies*, *Journal of Economic Theory*, and *RAND Journal of Economics*.

Examination information

Examination sub part/s



1. Examination sub part (1/3)

Examination modalities

Examination type	Active participation
Responsible for organisation	decentral
Examination form	Oral examination
Examination mode	Analog
Time of examination	Term time
Examination execution	Synchronous
Examination location	On Campus
Grading type	Individual work individual grade
Weighting	25%
Duration	--

Languages

Question language: English
Answer language: English

Remark

Class participation and discussion

Examination-aid rule

Free aids provision

Basically, students are free to choose aids. Any restrictions are defined by the faculty members in charge of the examination under supplementary aids.

Supplementary aids

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2. Examination sub part (2/3)

Examination modalities

Examination type	Written work
Responsible for organisation	decentral
Examination form	Written work
Examination mode	Digital
Time of examination	Term time
Examination execution	Asynchronous
Examination location	Off Campus
Grading type	Individual work individual grade
Weighting	35%
Duration	--

Languages

Question language: English
Answer language: English

Remark

Homework 1

Examination-aid rule

Free aids provision

Basically, students are free to choose aids. Any restrictions are defined by the faculty members in charge of the examination under supplementary aids.



Supplementary aids

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3. Examination sub part (3/3)

Examination modalities

Examination type	Written work
Responsible for organisation	decentral
Examination form	Written work
Examination mode	Digital
Time of examination	Term time
Examination execution	Asynchronous
Examination location	Off Campus
Grading type	Individual work individual grade
Weighting	40%
Duration	--

Languages

Question language: English

Answer language: English

Remark

Homework 2

Examination-aid rule

Free aids provision

Basically, students are free to choose aids. Any restrictions are defined by the faculty members in charge of the examination under supplementary aids.

Supplementary aids

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Content

Topics covered:

- Basic Screening Model — The principal-agent framework; incentive and participation constraints; envelope theorem; monotonicity and ironing.
- Countervailing Incentives and Sequential Screening — Type-dependent outside options and dynamic (two-stage) screening.
- Moral Hazard — First-order approach, risk-incentive trade-off, and linear contracts.
- Implicit Incentives: Career Concerns — Reputation-based incentives, dynamic effort provision.
- Team Incentives — Contracts with multiple agents, free-riding and tournament incentives.

Grading:

- Class participation and discussion: 25%
- Homework 1 (due March 28 at 10 pm): 35%
- Homework 2 (due April 15 at 10 pm): 40%

Each homework will consist of 2–3 analytical problems that reinforce lecture material.
Collaboration in small groups is allowed, but each student must submit an individual write-up.

Literature



Lecture notes and the articles suggested during class.

Please note

Please note that only this fact sheet and the examination schedule published at the time of bidding are binding and takes precedence over other information, such as information on StudyNet (Canvas), on lecturers' websites and information in lectures etc.

Any references and links to third-party content within the fact sheet are only of a supplementary, informative nature and lie outside the area of responsibility of the University of St.Gallen.

Documents and materials are only relevant for central examinations if they are available by the end of the lecture period (CW21) at the latest. In the case of centrally organised mid-term examinations, the documents and materials up to CW 13 (Monday, 23rd March 2026) are relevant for testing.

Binding nature of the fact sheets:

- Course information as well as examination date (organised centrally/decentrally) and form of examination: from bidding start in CW 04 (Thursday, 22nd January 2026);
- Examination information (supplementary aids, examination contents, examination literature) for decentralised examinations: in CW 12 (Monday, 16 March 2026);
- Examination information (supplementary aids, examination contents, examination literature) for centrally organised mid-term examinations: in CW 14 (Monday, 30 March 2026);
- Examination information (regulations on aids, examination contents, examination literature) for centrally organised examinations: two weeks before ending with de-registration period in CW 15 (Monday, 06 April 2026).