Course Description
This course is designed to introduce you to models of decision-making and strategic interaction in the presence of limited and asymmetric information. We will begin with a brief review of essential tools and concepts. Then we will proceed to analyze basic moral hazard, adverse selection, and signaling problems. If time permits, we will study some extensions of these basic problems.

Prerequisites
Economics 7115. A solid knowledge of microeconomic analysis is essential, as is facility with constrained optimization techniques.

Course Requirements
The primary course requirement is an examination which will be held during class hours on Monday, April 17th. The examination will count for 75% of your final grade. The remaining 25% of your grade will be determined by your performance on homework exercises.

Web Site
The website for this class can be found at https://elearning.ufl.edu.

Primary Readings for Course
Class lectures will be drawn primarily from selected articles on this syllabus. Key articles are on electronic reserve, which can be accessed through the class web site.

The following textbooks might be useful as supplemental reading, but are not required:


Additional Supplementary Text Books

The readings that follow include articles that will be discussed in class and other articles that merit study if you ultimately plan to conduct research in this field. The reading list is not comprehensive. Rather, it is intended to suggest a few articles that may help you to begin a more comprehensive and systematic study of the vast literature on contracting in the presence of asymmetric information.
Mathematical, Statistical, and Economic Preliminaries


Overviews and Surveys of the Incentive Literature

Laffont and Martimort, Introduction and Chapter 1.


Basic Moral Hazard Problems

Laffont and Martimort, Chapter 4 and Section 5.1.


**The First-Order Approach**

Laffont and Martimort, Section 5.1.3.


**Moral Hazard and Limited Liability**


**Discrete Adverse Selection Problems**

Laffont and Martimort, Sections 2.1 – 2.8, 3.1, 3.5.


**The Revelation Principle**

Laffont and Martimort, Section 2.9.


**Basic Continuous Adverse Selection Problems**

Laffont and Martimort, Appendices 3.1 - 3.3.


**Countervailing Incentives**

Laffont and Martimort, Section 3.3.


Adverse Selection and Moral Hazard


Multidimensional Adverse Selection

Laffont and Martimort, Section 3.2.


Multiple Tasks

Laffont and Martimort, Section 5.2.


Auditing, Monitoring and Incentives

Laffont and Martimort, Section 3.6.


**Incentive Schemes with Multiple Agents**


**Double Moral Hazard**


Auctions


Signaling


Collusion


Delegation


Experts and Intermediaries


Sequential Information Disclosure


**Contracting with Subjective Valuations**


**Contracting with Communication Costs**


**Motivating Information Acquisition**


**Cheap Talk**

Alternative Information Structures and Approaches

Laffont and Martimort, Chapter 7 and Section 9.8.


Contracting with Bounded Rationality


Behavioral Economics and Contracting


Social Preferences


**Simple Contracts**


**Informed Principals**

Laffont and Martimort, Section 9.1.


**Multiple Principals**


Dynamic Agency Models with Full Commitment

Laffont and Martimort, Chapter 8.


Dynamic Agency Models with Limited Commitment

Laffont and Martimort, Section 9.3.


Renegotiation and Incomplete Contracts


Relational Contracts


Asymmetric Information and Competition


Organizational Structure and Design


Empirical Tests of Agency Models


