Economics of Information

Academic Year: (2022 / 2023) **Review date: 10-12-2021**

Department assigned to the subject: Economics Department

Coordinating teacher: FERREIRA GARCIA, JOSE LUIS

Type: Electives ECTS Credits : 6.0

Year : Semester :

OBJECTIVES

The objective of this course is to provide students with an introduction to the problems and methods of the economics of information, developed en the last decades to investigate the consequences of the presence of asymmetric information in a variety of economic and political environments. This methodology provides an analysis of the incentive problems present in these settings as well as instruments to investigate the design of contracts and/or institutions that alleviate the inefficiencies caused by asymmetric information.

Abilities

The course material teaches students how to:

- Identify the problems studied by the economic of information in different contexts

- The tools provided by this theory to treat and solved the problems associated to the presence of asymmetric information

- Evaluate the pros and cons of the alternative mechanisms proposed to deal with these problems

- Get familiar with the literature and the basic textbooks that will allow to continue the learning process.

Aptitudes

The course encourages students to:

- Analyze economic problems without prejudices, and with precision and rigor.

- Reason critically.

- Learn autonomously.

- Argue a viewpoint showing its foundation and appreciating the merits of other opinions.

DESCRIPTION OF CONTENTS: PROGRAMME

The program includes the following topics:

1. The Agency Model: Risk Sharing

2. Moral Hazard

3. Competitive Markets with Adverse Selection

4. Adverse Selection in the Agency Model: Screening, Signaling

5. Auctions.

LEARNING ACTIVITIES AND METHODOLOGY

The teaching methodology includes:

(1) Master classes, where the student will be introduced to the contents of the course. To facilitate the lecture, the students will have the basic reference texts. This will allow them to complete the topics in deep.

(2) Case studies from the economic literature. These cases will be closely related to the specific capacities and skills that the students must develop.

(3) Problems resolution. With these problems, the student should be able to self evaluate their knowledge and acquire the necessary skills.

(4) Various quizzes during the course.

(4) Presentation of team-work.

ASSESSMENT SYSTEM

The course grade will be the weighted average of the grade obtained in the continuos evaluation (50%) and a final comprehensive exam (50%). The continuous evaluation will be based on several quizzes, homework and a class presentation of an academic article on one of the topics of the course.

% end-of-term-examination:	50
% of continuous assessment (assigments, laboratory, practicals…):	50

BASIC BIBLIOGRAPHY

- I. Macho y D. Pérez-Castrillo An Introduction to the Economics of Information, Oxford, 2001
- V. Krishna Auction Theory, Academic Press, 2010

ADDITIONAL BIBLIOGRAPHY

- J. E. Harrington Games, Strategies, and Decision Making, Worth Publishers, 2009
- J.-J. Laffont, D. Martimort The Theory of Incentive, Princeton UP, 2002
- M. J. Osborne An introduction to Game Theory, Oxford UP, 2003
- B. Salanie The Economics of Contracts: A Primer, MIT Press, 2005
- P. Bolton, M. Dewatripont Contract Theory, MIT Press, 2005