

Economics of Information (Incentives and contracts)

Inés Macho Stadler

- **Content:** An introduction to the economics of information, presenting models of moral hazard and adverse selection.
- **Objective:** The students must realize that many forms of economic interaction involve problems of asymmetric information, and should be able to differentiate between problems of moral hazard and adverse selection. The students should be able to handle simple models that capture various kinds of informational asymmetry.

CONTENT

Introduction

Moral Hazard

One principal and one agent models

Multi-agent models

Repeated moral hazard

Adverse Selection

One principal models

Competition among principals

Repeated adverse selection

Textbook

Macho-Stadler, I. & Pérez-Castrillo, J. D. (2005), "An Introduction to the Economics of Information", Oxford University Press.