**Economics of Information: Incentives and contracts**

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- **Content:** An introduction to the economics of information, presenting models of moral hazard, adverse selection, and signaling.

- **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 models that capture various kinds of informational asymmetry and construct models in their own research field.

**CONTENT**

**Introduction to Agency Theory**

**Basic Model**

**Moral Hazard**
- One principal and one agent models (two-efforts and first-order approach)
- Limited liability models
- Multi-agent models
- Repeated moral hazard
- Moral hazard with hidden information
- Other extensions

**Adverse Selection**
- One principal and one agent models
- Competition among principals
- Repeated adverse selection

**Signaling**
- Agents signal their characteristics
- The informational content of contracts
Basic references

Other references
Baron, D., Myerson, R., 1982, "Regulating a Monopoly with Unknown Costs", Econometrica 50, 911-930.