Institut für Höhere Studien
Institute for Advanced Studies
Vienna

TU Wien Continuing Education Center

Master of Economics

Lecture Title:	Contract Theory		
Lecturer:	Anton van Boxtel		
Lecture Code:	017 919	**ECTS:**	3
Term:	spring term	**Contact hours:**	20
Lecture Dates:	see teaching calendar		
Final Exam:	see teaching calendar	**Frequency of lecture**:	see teaching calendar
Prerequisites:	Math Camp, Microeconomics 1		
Language of instruction:	English		
Contact information			
	Telephone:	**Email**: vanboxtel@ihs.ac.at	
Office hours			
Course website			
Learning Objectives: (What are the intended learning outcomes? Which skills will be acquired?)	In earlier micro courses, decision theory and games with complete information were covered. This course aims to study the situations in which one party has better information than the other, either before trading (adverse selection), or after (moral hazard). If time allows, some applications in finance will be considered.		
Content: (Which professional competence and which contents will be imparted?)	Adverse selection (MWG – Chapter 13) • Informational asymmetries • The market for lemons • Signaling • The Spence (1973) education model • Competitive Screening The Principal Agent Problem (MWG – Chapter 14) • Hidden action, moral hazard • Monopolistic screening If time allows, some applications to (corporate) finance will be treated in the form of articles.		
Teaching Approach: (Description of the learning and teaching	Lecture, exercises, problem sets and discussion.		

Master of Economics

methods)	
Workload: (Definition of workload (ECTS), divided in pre-modules (e.g. pre-readings), core-modules (contact hours), post-modules (e.g. case studies)):	
Required literature: (scripts, books, articles, cases, papers)	Mas-Colell, A., Whinston, M. D., & Green, J. R. (1995). Microeconomic theory (Vol. 1). New York: Oxford university press.
Recommended literature: (books, articles, cases, papers)	Bolton, P., & Dewatripont, M. (2005). Contract theory. MIT press. Akerlof, G. A. (1970). The market for" lemons": Quality uncertainty and the market mechanism. The quarterly journal of economics, 488-500. Spence, M. (1973). Job market signaling. The quarterly journal of Economics, 355-374. M. Rothschild, J. E. Stiglitz: "Equilibrium in Competitive Insurance Markets: An Essay on the Economics of Imperfect Information", Quarterly Journal of Economics, 90, 1976, 629–649.
Special features: (e.g. excursion, guest speaker):	
Mode of examination: (Mode of examinations and tests (e.g. oral or written examination, lecture, homework, papers, class participation)):	Weekly problem sets and final exams.
Grading:	Class participation, Problem sets (30 %) Final written exam (70 %)