

Economics of Information (20854)

Degree/study: Economía and ADE

Course: third

Term: third

Number of ECTS credits: 5 credits

Hours of student's dedication: 125 hours

Language or languages of instruction: english

Professor: Joan de Martí

1. Presentation of the subject

This course is divided into two parts. The first one is an introduction to decision-making with uncertainty. The second one is an introduction to the study of models with asymmetric information: moral hazard, adverse selection, and signaling.

2. Competences to be attained

G1, G2, G9, G10, G11

The student will understand the relations between economic agents when the available information is imperfect and asymmetric.

3. Contents

3.1 Decision-making with Uncertainty

3.2 Risk

3.3 Moral Hazard

3.4 Adverse Selection

3.5 Signaling

4. Assessment

There will be two partial exams during the course. Each of them will count a 10% of the final grade. Another 15% of the final grade will depend on attitude and participation in class, specially in seminar sessions. The rest of the grade will be based on the final exam.

Final Grade= 0.1 * Partial_1 + 0.1 * Partial _2 + 0.15*Participation + 0.65 * Final_Exam

5. Bibliography and teaching resources

5.1. Basic bibliography

- I. Macho-Staedler & David Pérez-Castrillo, *Introducción a la Economía de la Información*, Editorial Ariel

There is a translation available:

- *An Introduction to the Economics of Information*, Oxford University Press

There will also be available lecture notes and solved problems.

5.2. Additional bibliography

- Louis Eeckhoudt, Christian Gollier and Harris Schlesinger, *Economic and Financial Decisions Under Risk*, Princeton University Press

5.3. Teaching resources

Articles related to the topics covered in class taken from press, specialized journals, and blogs.

6. Methodology

Lectures will be mostly centered on presenting the theoretical basis of the course. Seminar sessions will help to deepen into alternatives, extensions, or critiques to the ideas and models presented in the lectures, and in some related problems to be solved. Part of the sessions can be devoted to solve questions about the problem lists.

7. Activities Planning

Week 1: Decision-making under Uncertainty (Theory)

Week 2: Decision-making under Uncertainty and Risk (Theory)

Week 3: Applications – Decision-making and Risk ; Markets and Risk (Theory)

Week 4: Markets and Risk ; Moral hazard (Theory)

Week 5: Moral Hazard (Theory)

Decision-making and risk (Seminar)

Week 6: Applications – Moral Hazard ; Adverse Selection (Theory)

Information and Economics (Seminar)

Week 7: Adverse Selection (Theory)

Moral Hazard (Seminar)

Week 8: Applications – Adverse Selection (Theory)

Adverse Selection and Mechanism Design (Seminar)

Week 9: Signaling (Theory)

Adverse Selection and Mechanism Design II (Seminar)

Week 10: Applications - Signaling (Theory)

Signaling (Seminar)