SYLLABUS

ECONOMICS OF INFORMATION: BASIC MODELS, EXTENSIONS AND APPLICATIONS

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Moral hazard (also called hidden action) and adverse selection (also called hidden information) have been a long-time concern for insurance. These situations refer to informational asymmetries related to the agent's behavior during the relationship or to the agent's characteristic when signing the contract.

Models on moral hazard and adverse selection and their applications have increasingly been recognized as key elements to understand licensing agreements, price discrimination strategies, and regulatory policies, to cite just a few examples.

This course provides an overview of the main topics in contract theory. We will start from the baseline models and then look at various modifications including more general structure of outcomes or types, simple models that allow building set-ups to analyze particular applications, limited liability considerations, behavioral elements, etc. We will also present some applications where economics of information has been extensively and fruitfully used.

The aim of this course is for students to be able to apply the knowledge acquired and the intuitions developed during the course to the analysis of real economic problems and to support their own research.

OUTLINE OF THE COURSE

1. INTRODUCTION
2. MORAL HAZARD
    a. Moral hazard models
    b. Behavioral approach
3. ADVERSE SELECTION
    a. Two-types adverse selection model
    b. Competition for the agents
4. SIGNALLING
    a. Signaling through education
    b. Contracts as signals
5. APPLICATIONS
    a. Licensing contracts
    b. Health economics

<u>MAIN REFERENCES</u> (Additional references for the different topics will be provided during the course)

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APPLICATIONS

<u>Licensing contracts</u>

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<u>Health Economics</u>

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