Econ 690
Special Topics in Economics: Economics of Contracts
SPRING 2016

Instructor: Huseyin Yildirim, Soc. Sci. 205, <email: hy12@duke.edu>, <office hour: by appointment>

Time and Location: TuTh 4:40PM - 5:55PM, LSRC D243


Objective: A contract is a legally binding agreement between two or more parties. Think of your rental agreements and school admission letters. In this class, we will review the basic principal-agent model in which two potential imperfections, hidden information (or adverse selection) and hidden action (or moral hazard), govern the efficiency and scope of contracts. To do so, we will closely follow the textbook. The emphasis will be on modeling and solution techniques. Basic knowledge of calculus is required.

Grading: One midterm exam (30%); one final exam (50%); class presentations (20%)

Tentative Schedule:

- Chapter 2: Adverse Selection: The Rent Extraction-Efficiency Trade-off [2.1-9, 2.11, 2.14, 2.15]

- Chapter 3: Incentive and Participation Constraints with Adverse Selection [3.3,. 3.4, 3.5, Appendix: Continuum types]

  MIDTERM EXAM (Thursday, Feb. 25, in class)

- Chapter 4: Moral Hazard: The Basic Trade-offs [4.1-9]

- Chapter 7: Mixed Models [7.1, 7.2]

FINAL EXAM (Monday, May 2, 2:00 - 5:00 PM)