

I use my Incentives book for two courses. The one below does not require calculus. The sister course has the same theme but deals with a different set of topics, using calculus for many of them. A student who wants to do both can take them in either order.

## Econ 420 (Fall, 2006)

## The economics of information

The final grade will be based on:

1. Weekly problem sets that will be assigned by me in class and submitted for grading by the end of the class period, exactly one week later. (20 points).
2. A term test, written in class on September 28<sup>th</sup>. (25 points).
3. A second term test, written in class on November 2<sup>nd</sup>. (25 points).
4. Final examination written at 1:30pm on December 20. (30 points)

I will be available in my office between 10:00am and 3:00pm the day before a problem set is due, and the day before each of the two tests. You are also welcome to make an appointment for a different day. I will always be happy to advise you via email, of course.

The only text that you will have to purchase is the **second** edition of my book *Incentives*, published by Cambridge University Press. It is available at the bookstore and through the usual internet sources. **The first edition will not do.**

Here is a list of the eight topics that we will cover along with the associated reading assignment.

1. INTRODUCTION TO THE COURSE (Read pages 1 – 44)
  - Asymmetric information* (Section 1 of Chapter 1)
  - Taxi!* (Section 2 of Chapter 1)
  - Acid rain* (Section 3 of Chapter 1)
  - Efficiency* (Section 4 of Chapter 1)
  - Equilibrium* (Section 5 of Chapter 1)
2. MARKETABLE POLLUTION RIGHTS (Read pages 71 – 76, and 143 – 151)
  - Maximizing a quadratic* (Section 1 of Chapter 2)
  - Marketable pollution rights* (Section 2 of Chapter 3)
3. CREDIT MARKETS (Read pages 155 – 163)
  - The savings and loan crisis* (Section 4 of Chapter 3)

4. INCENTIVE REGULATION (Read pages 152 – 155)  
*The telecommunications industry* (Section 3 of Chapter 3)
5. REVELATION OF PREFERENCES (Read pages 384 – 411)  
*Voting schemes* (Section 1 of Chapter 7)  
*Preference revelation in general* (Section 2 of Chapter 7)
6. AUCTIONS (Read pages 326 – 341; 349 – 356; 358 – 361; 363 – 370; 374 – 383)  
*Introduction* (Section 1 of Chapter 6)  
*The Vickrey auction* (Section 2 of Chapter 6 but skip 2.3)  
*Four basic auction mechanisms* (Section 3 of Chapter 6 but skip 3.4)  
*Revenue equivalence* (Section 4 of Chapter 6 but skip 4.2 and 4.6)  
*Applications* (Section 5 of Chapter 6)  
*Interdependent values* (Section 6 of Chapter 6)
7. THE LABOR MARKET (Read pages 165 – 171; 174 – 179; 290 – 303)  
*Mandatory retirement* (Section 6 of Chapter 3 but skip 6.3)  
*Tenure of professors* (Section 7 of Chapter 3)  
*U.S. public schools* (Section 8 of Chapter 3)  
*Job market signaling* (Section 6 of Chapter 5 but skip pooling equilibria)
8. MATCHING (Read pages 469 – 494; 499 – 509)  
*Advisors and advisees* (Section 1 of Chapter 9)  
*College admissions* (Section 2 of Chapter 9)  
*Allocating dormitory rooms* (Section 4 of Chapter 9)