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 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 28th. (25 points).
3. A second term test, written in class on November 2nd. (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)