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

Econ 403 (Spring, 2006)  
Incentives

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 February 17th. (25 points).

3. A second term test, written in class on March 29th. (25 points).

4. Final examination written at 8:30am on May 2nd. (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 can also provide help 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 six 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. Efficiency and Social Cost Pricing (Read pages 325 – 333)
   - Introduction (Section 1 of Chapter 6)
   - The Vickrey Auction (Section 2 of Chapter 6)

   - Quasi-linear preferences (Section 5 of Chapter 2)
   - The Economic Model (Section 1 of Chapter 8)
   - The Pivotal Mechanism (Section 2 of Chapter 8)

4. Insurance (Read pages 112–135 and 179–195)
   - Decisions under uncertainty: (Section 6 of Chapter 2)
   - Insurance: (Section 7 of Chapter 2)
   - Moral hazard and insurance: (Section 9 of Chapter 3)

5. Motivating Workers and Managers (Read pages 196–255)
   - Corporate Governance (all of Chapter 4)

6. Bundling and Product Quality (Read pages 1280–289: Section 5 of Chapter 5)