

Prof. Campbell: Phone 1-2383 / e-mail: decamp @ wm.edu / Office: Morton 127

We examine the ways in which markets and governments create incentives to elicit private information from individuals and firms, and how individual welfare is affected as a result.

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 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)