

Anita Gantner
The Economics of Information

Master Program Applied Economics
SS 2021

General Remarks

The course “The Economics of Information” consists of a weekly 3-hour lecture with integrated tutorial, yielding a total of 7.5 ECTS. This course is an elective course in the Master Program “Applied Economics”.

Prerequisites

The requirement for this course is a successful completion of the two compulsory Master courses “Microeconomics” and “Game Theory”.

Time and Place

Classes will be regularly on Wednesday, 13-15:45 online. If the situation permits, we will switch to class in presence in SR 9.

To participate in class you need to log into OLAT. On the class site you will find the "virtual classroom" using BigBlueButton.

Class starts on Wednesday, March 3, 2021.

Requirements for successful completion:

- *Attendance:* Regular attendance and participation in class is expected.
- *Problem sets:* There will be several problem sets assigned. You may work in groups on these assignments and hand in one homework per group.
- *Presentation:* Each student will have to present a paper and obtains a grade for the presentation, which counts towards the grade. More information to the presentation (topics, dates) will be given in the first week of class.
- *Written exams:* Exam 1 on May 12, 2021
Exam 2 on June 23, 2021

Please keep these dates free from any other obligations. Alternative exam dates can be offered only in exceptional circumstances.

Grading:

10% homework assignment, 30% paper presentation, 30% exam 1, 30% exam 2.

Registration:

Registration is via computer. Registered students who decide to unregister must do so by notifying the lecturer no later than March 20, 2021. After this date, registrations cannot be cancelled and all students will receive a grade for the course.

Topics of this course:

Principle-Agent Theory

- hidden information (Adverse Selection)
- hidden action (Moral Hazard)
- market failure with asymmetric information (e.g. Akerlof's lemons market)
- optimal contracts with asymmetric information
- screening and signaling models (e.g. Spence's education model)

Mechanism Design

- social choice, impossibility theorems
- voting schemes: strategic voting and manipulation
- incentives to provide public goods (Groves-Clarke mechanisms)
- Solomon's dilemma and requirements for good mechanisms
- incentives for fair division: mechanisms for objective claims and subjective claims contexts

Bargaining Theory and Applications (as time permits)

- models with complete information (delay, outside options)
- models with incomplete information (one-sided, two-sided)
- bargaining when agents have (non-equal) claims

Literature

Adverse Selection and Moral Hazard:

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Macho-Stadler, I. and Perez-Castrillo, D. (2001). *An Introduction to the Economics of Information*. Oxford University Press.

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Kübler, D., Müller, W. and Normann, H.-T. (2008). "Job-market signaling and screening: An experimental comparison". *Games and Economic Behavior* 64(1), 219-236.

Mechanisms and Voting:

Bassi, A. (2015). Voting systems and strategic manipulation: An experimental study. *Journal of Theoretical Politics* 27(1), 58-85.

Kube, S. and Puppe, C. (2009). (When and how) do voters try to manipulate? Experimental evidence from Borda elections. *Public Choice* 139, 39-52.

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Moore, J. (1993): "Implementation, contracts, and renegotiation in environments with complete information", in: J.-J. Laffont (ed.), *Advances in Economic Theory*, Vol. 1, Chapter 5.

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Fair Division Problems:

DeClippel, G., Moulin, H. and Tideman, N. (2008). Impartial Division of a Dollar, *Journal of Economy Theory* 139, 176-191.

Tideman, N. and Plassmann, F. (2008), Paying the Partners, *Public Choice* 136 (1/2), 19-37.

Mumy, G. E. (1981). A Superior Solution to Captain MacWhirr's Problem: An Illustration of Information Problems and Entitlement Structures. *The Journal of Political Economy* 89 (5), 1039-1043.

Brams, S. J. and Taylor, A. D. (1994). Divide the Dollar: Three Solutions and Extensions. *Theory and Decision* 37, 211-231.

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Gächter, S. and Riedl, A. (2006). Dividing Justly in Bargaining Problems with Claims. *Social Choice and Welfare* 27 (3), 571-594.

Gantner, A. and Kerschbamer, R. (2016). Fairness and Efficiency in a Subjective Claims Problem. *Journal of Economic Behavior and Organization* 131, 21-36.

Gantner, A., Horn, K. and Kerschbamer, R. (2016). Fair and efficient division through unanimity bargaining when claims are subjective. *Journal of Economic Psychology* 57, 56-73.

Gantner, A., Horn, K. and Kerschbamer, R. (2019). The role of communication in fair division with subjective claims. *Journal of Economic Behavior and Organization* 167, 72-89.

Bargaining:

Bochet, O. and Siegenthaler, S. (2017). "Information Transmission through Bargaining: Experimental Evidence". <http://dx.doi.org/10.2139/ssrn.2940110>

Chatterjee, K. and L. Samuelson (1987). "Bargaining with Two-Sided Incomplete Information". *Review of Economic Studies* LIV, 175–192.

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Krishna, V. and Serrano, R. (1996). Multilateral Bargaining. *The Review of Economic Studies* 63 (1), 61-80.

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