

# Enquire Teaching Timetable

[Return](#)

## Course Outcome

### ECON 4010 - Advanced Topics in Microeconomics

#### Learning Outcome

1. Understand how information asymmetry affects economic behaviour under different situations.
2. Appreciate and identify the presence of moral hazard, adverse selection and signalling that students encounter in their daily economic life.
3. Apply what they learn from the course to conceptualize these issues and consider the relevant factors that must be considered in addressing them.

#### Course Syllabus

1. Introduction
2. Expected Utility Theory
3. Risk Aversion and Stochastic Dominance
4. The Base Model: Symmetric Information
5. Hidden Action Problem: Moral Hazard
6. Hidden Information Problem: Adverse Selection
7. Hidden Information Problem: Signalling

#### Assessment Type

	Assessment Type	Current Percent
1	Essay test or exam	80
2	Others	20

#### Feedback for Evaluation

- Course and teaching evaluation at end of course
- Informal feedback channels throughout the course (face-to-face, email, WebCT)
- Departmental Retreat
- Programme Review

#### Required Readings

Macho-Stadler, Ines, and Perez-Castrillo, J. David. An Introduction to the Economics of Information: Incentives and Contracts. Oxford University Press, 2001

#### Recommended Readings

Akerlof, George. "The Market for 'Lemons': Qualitative Uncertainty and the Market Mechanism." *Quarterly Journal of Economics* 89 (1970), 488-500.

Arrow, Kenneth. "Uncertainty and Welfare Economics of Medical Care" *American Economic Review* 53 (1963): 91-96.

Baker, George. "Incentive Contracts and Performance Measurement." *Journal of Political Economy* 100 (1992): 598-614

Baker, George, Michael Jensen, and Kevin Murphy. "Compensation and Incentives: Practice vs Theory." *Journal of Finance* 43 (1988): 593-616.

- Bull, Clive, Schotter, Andrew and Weigelt, Keith. "Tournaments and Piece Rates: An Experimental Study." *Journal of Political Economy* 95 (1987): 1-33.
- Carmichael, H. Lorne. "Incentives in Academics: Why is There Tenure?" *Journal of Political Economy* 96 (1988): 453-472.
- Ehrenberg, Ronald and Bognano, Michael. "Do Tournaments Have Incentive Effects?" *Journal of Political Economy* 98 (1990): 1307-1324.
- Gibbons, Robert. "Piece-Rate Incentive Schemes." *Journal of Labor Economics* 5 (1987): 413-429.
- Gibbons, Robert, and Kevin J. Murphy. "Relative Performance Evaluation for Chief Executive Officers." *Industrial and Labor Relations Review* 43 (1990): 30-51.
- Green, Jerry and Stokey Nancy. "A Comparison of Tournaments and Contracts." *Journal of Political Economy* 91 (1983): 347-364.
- Harris, M., and A. Raviv. "Some Results on Incentive Contracts with Application to Education and Employment, Health Insurance, and Law Enforcement." *American Economic Review* 68 (1978): 20-30.
- Holmstrom, Bengt. "Moral Hazard and Observability." *Bell Journal of Economics* 10 (1979): 74-91.
- Holmstrom, Bengt. "Moral Hazard in Teams." *Bell Journal of Economics* 13 (1982): 324-340.
- Holmstrom, Bengt, and Paul Milgrom. "Multitask Principal-Agent Analyses: Incentive Contracts, Asset Ownership, and Job Design." *Journal of Law, Economics, and Organization* 7 (1991): 24-52.
- Holmstrom, Bengt, and Paul Milgrom. "The Firm as an Incentive System." *American Economic Review* 84 (1994): 972-991.
- Jensen, Michael, and Kevin J. Murphy. "Performance Pay and Top-Management Incentives." *Journal of Political Economy* 98 (1990): 225-264.
- Lam, Kit-Chun, Pak-Wai Liu, and Yue-Chim Wong. "Planning, Stochastic Shocks and Labour Contracts of Female Workers and their Welfare Implications." *Economica* 61 (1994): 221-236.
- Lazear, Edward, and Sherwin Rosen. "Rank-Order Tournaments as Optimum Labor Contracts." *Journal of Political Economy*, 89 (1981): 841-864.
- Levine, David. "Piece Rates, Output Restriction, and Conformism." *Journal of Economic Psychology* 13 (1992): 473-489.
- Liu, Pak-Wai. "Incentives and Disutility of Effort in a Linear Piece-Rated Employment Contract." *Economics Letters* 7 (1981): 189-194.
- Liu, Pak-Wai. "Incentives, Performance and Pay." Inaugural Lecture, CUHK, 1998
- Mirlees, James. "The Theory of Moral Hazard and Unobservable Behavior, Part I." *Review of Economic Studies* 66 (1999): 3-22.
- Mookherjee, D. "Optimal Incentive Schemes with Many Agents." *Review of Economic Studies* 51 (1984): 433-46.
- Rogerson, William. "The First Order Approach to Principal-Agent Problems." *Econometrica* 53 (6) (1985a): 1357-1367.
- Rothschild, Michael and Stiglitz, Joseph. "Equilibrium in Competitive Insurance Markets: An Essay in the Economics of Imperfect Information". *Quarterly Journal of Economics* 90 (1976): 629-650.
- Salop, Joanne and Salop, Steven. "Self-Selection and Turnover in the Labor Market." *Quarterly Journal of Economics* 90 (1976): 619-627.
- Seiler, Eric. "Piece Rate vs. Time Rate: The Effect of Incentives on Earnings. *Review of Economics and Statistics* LXVI (1984): 363-376.
- Shavell, S. "Risk Sharing and Incentives in the Principal and Agent Relationship." *Bell Journal of Economics* 10 (1979): 55-73.
- Spence, Michael. "Job Market Signaling." *Quarterly Journal of Economics* 87 (1973): 355-74.