Anita Gantner
The Economics of Information

Master Program Experimental and Empirical Economics
SS 2026

General Remarks
The course "The Economics of Information" consists of a weekly 3-hour lecture with integrated exercises and discussion, yielding a total of 7.5 ECTS. This course is an elective course in the Master Program "Experimental and Empirical Economics".

Prerequisites
Knowledge of basic concepts in graduate-level microeconomics and basic game theory are of advantage.

Time and Place
Classes will be regularly on Monday, 11:30-14:00 in SR 9.
Class starts on Monday, March 2, 2026.

Topics of this course:

We look into situations with information asymmetries, where a decision maker does not have full information, or where one party has more/better information than the other: in individual decision-making, in markets, in one-to-one relations, in small groups of economic agents. The course combines theory and experiments:

- *institutional solutions* (contracts and mechanisms) to mitigate the inefficiencies and suboptimal outcomes from the informational problem (e.g., optimal contracts or mechanism design); preference aggregation (voting) and manipulation to understand the problems with implementing "the will of the people";

- *behavioral responses* to information, belief formation and updating, experimental evidence on the performance of the solution concepts, and how people deal with informational problems.

Contract theory (Principle-Agent-Theory) designs the strategic environment (i.e. a contract with given rules) when one party's lack of information leads to undesirable outcomes, with the goal to induce players to behave in the desired way. We consider

- *market failure with asymmetric information (e.g. Akerlof's lemons market)*
- *optimal contracts with asymmetric information (adverse selection problems)*
- *screening and signaling models (e.g. Spence's education model)*
- *relational contracts*

Social Information and Information Updating

- *Bayesian updating – examples and evidence*
- *information cascades, rational inattention*
- *experimental evidence on how people process information*

Information Asymmetries and Mechanism Design

- *incentives in voting schemes: strategic voting and manipulation*
- *incentives to provide public goods (socially efficient allocations)*
- *solutions to allocate indivisible objects (Solomon's dilemma) and divisible objects (fair division)*
- *experimental evidence on the performance of these mechanisms*

Bargaining Theory and Applications with Information Asymmetries

- *models with complete information (delay, outside options)*
- *models with incomplete information*
- *bargaining when agents have (non-equal) claims*
- *bargaining when a decoy is present (behavioral bias)*

Depending on time we might not be able to cover all topics.
Room will be given for students' own ideas for presentation topics.

Requirements for successful completion:

- *Attendance:* Regular attendance and participation in class is expected.
- *Problem sets (20%):* There will be at least 6 homework problem sets throughout the semester. You may work in groups on these assignments, but you will be evaluated individually. You must indicate at least 3 homework assignments as completed, and be ready to discuss them in class. A maximum of 20% of the overall grade is assigned for individual discussion/presentation of homework problems in class.
- *Presentations (30%):* Each student will have to present a paper (20% of overall grade), and be discussant of another student's presentation and participate in all discussions (10% of overall grade). More information to the presentation (topics, dates) will be given in the first week of class.
- *Written exam (50%):* **June 22, 2026**
  Please keep these dates free from any other obligations. Alternative exam dates can be offered only in exceptional circumstances.

Grading:
20% homework discussion, 30% paper presentation and discussion, 50% exam.

Registration:
Registration is via computer. Registered students who decide to unregister must do so by notifying the lecturer no later than March 20, 2026.