

Economics of Contracts and Organizations: Syllabus

University of Tokyo

2022

Administrative Information

- Course Title: Economics of Contracts and Organizations
- Instructor: Akifumi Ishihara (Institute of Social Science)
 - Office Hour: Wednesday pm 1:30-2:30 or appointment *via* email
 - Email: `akishihara[at]iss[dot]u-tokyo[dot]ac[dot]jp`
- Day and Time: A1 term, Monday pm 1:00-2:45, 2:55-4:40
 - We have a meeting on 10th October though it is a public holiday.
- Venue: Economics Research Bldg 517
 - The first week (3rd October) takes a hybrid format, where online *via* Zoom is also available. (However, I encourage participants to attend in the classroom unless you have reasons as mentioned below.)
 - From the second week, the hybrid format is maintained only if the following students register this course.
 1. Students who have a strong anxiety about Covid-19 infection because students themselves or their family members cannot take vaccinations due to underlying condition.
 2. International students who cannot enter Japan due to circumstances beyond their control.
 - The course Zoom URL for online participation will be found in the online syllabus
(UTAS: `https://utas.adm.u-tokyo.ac.jp/campusweb/campusportal.do`).
- Course Website:
 - `akishihara.github.io/teaching/2022C0`
 - ITC-LMS: `itc-lms.ecc.u-tokyo.ac.jp/login`

Course Description

This course discusses contract theory and organizational economics, with emphasis on incentive and agency problems, at a graduate level. The aim is to provide a basic ground of theoretical frameworks of contract theory and information economics and to stimulate participants research activities on organizational economics and related issues (including both theoretical and empirical works).

The course is mainly for the second year graduate students or above. Other students or post-doctoral scholars who are interested in this course are also welcome as long as they satisfy the prerequisite described below.

Course Outline

The course will be based on a series of lectures. (The following schedule is subject to change.)

1. Introduction
2. Moral Hazard: Basics
3. Multitasking
4. Evaluation Systems
5. Incomplete Contracting
6. Dynamic Contracting
7. Miscellaneous issues

Although the topics to be discussed are mainly theoretical, we will also discuss relationships with empirical works.

Prerequisite

Participants must have knowledge of (ideally advanced or at least intermediate) microeconomics and mathematics: especially, game theory, economics of information, constrained optimization, and probability.

Topics in applied microeconomics (including industrial organization, labour economics, international trade, development economics, political economy, and others) may be related and helpful to understand the discussion in the course.

Grade

The grade will be based on two essays (mid-term and final), assigning *mock referee reports* on scholarly papers or *research proposals*.

Textbook

The lecture note will be distributed. The note is mainly based on original scholarly articles as well as the following surveys. (The reading list will be distributed.)

Treatment of Principal-Agent Models

- Salanié, B. (2005): *The Economics of Contracts, A Primer Second Edition*, MIT Press.
- Macho-Stadler, I. and Pérez-Castrillo, J.D. (2001): *An Introduction to the Economics of Information: Incentives and Contracts, Second Edition*, Oxford University Press.
- Laffont, J.-J. and Martimort, D. (2002): *The Theory of Incentives: The Principal-Agent Model*, Princeton University Press.
- Bolton, P. and Dewatripont, M. (2005): *Contract Theory*, MIT Press.

Incomplete Contracts

- Hart, O. (1995): *Firms, Contracts, and Financial Structures*, Oxford University Press.
- Aghion, P., Dewatripont, M., Legros, P., and Zingales, L. (2016): *The Impact of Incomplete Contracts on Economics*, Oxford University Press.

Organizational Economics

- Milgrom, P. and Roberts, J. (1992): *Economics, Organization and Management*, Prentice-Hall.
- Gibbons, R. and Roberts, J. (2013): *Handbook of Organizational Economics*, Princeton University Press.

Miscellaneous

- Students without registration or outside of U of Tokyo are also welcome (provided that they are enthusiastic about the topics in the course and satisfy the prerequisite). Whether you register this course or not, please let me know *via* e-mail if you intend to participate this course (just for the instructor's understanding of the participants' background).
- The lecture will be in English (subject to change conditional on the participants).
- The course material and important information are distributed *via* ITC-LMS. If you are not a student of University of Tokyo, please notice the instructor.

Last updated: September 21, 2022