

EIEF

Advanced Corporate Finance: Micro IV: Information Economics

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Course Overview: This course introduces the main concepts of information economics: asymmetric information, adverse selection, moral hazard, and discusses several economic models based on these concepts: signaling, screening, auctions, mechanism design, and information design. Applications of these concepts to corporate finance and insurance markets will be discussed.

Textbooks:

1. Mas-Colell, Andreu, Michael D. Whinston, and Jerry R. Green. Microeconomic Theory. Oxford University Press, 1995. ISBN: 9780195073409.
2. Krishna, Vijay. Auction Theory, Second Edition. Academic Press, 2010. ISBN: 9780123745071.
3. Varian, Hal R. Microeconomic Analysis, Third Edition. W.W Norton & Company, 1992. ISBN: 9780393957358.
4. Tirole, Jean, The Theory of Corporate Finance. Princeton University Press, 2006. ISBN: 0691125562.
5. Milgrom, Paul. Putting Action Theory to Work. Cambridge University Press, 2004. 9780521536721.

Prerequisites: Knowledge of basic game theory.

Evaluation: The grade will be based on a written exam (75%) and on problem sets (25%).

Lectures:

<i>Lecture</i>	<i>Date</i>	<i>Topic</i>	<i>Reading</i>
1	17-04	Introduction to Information Economics.	MWG 13
2	20-04	Adverse Selection: Screening.	MWG 13
3	24-04	Adverse Selection: Signaling.	MWG 14
4	27-04	Moral Hazard.	MWG 14
5	04-05	Auctions.	Krishna 1-2
6	08-05	Auctions. Revenue Equivalence.	Krishna 3
7	11-05	Auctions as a Mechanism Design Problem.	Krishna 5
8	15-05	Mechanism Design.	MWG 23.A-B
9	18-05	Mechanism Design. Dominant Strategy Incentive Compatibility.	MWG 23.C
10	22-05	Mechanism Design. Bayesian Incentive Compatibility.	MWG 23.D
11	25-05	Information design. Bayesian persuasion.	Gentzkow and Kamenica (2011)