Syllabus, Ec717a: Contract Theory

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This is the first half of Ec717, focusing on contract theory and its applications. The textbook is:


This part of the course will cover material from BD, Chapters 2-10 which will cover contract design for single and multiple agents. It will then describe applications to the theory of hierarchies and decentralization. The second half of the course (to be taught by Andy Newman) will cover topics in incomplete contracts, property rights and theory of the firm (Chapters 10–13 of BD).

The course should be useful for anyone interested in learning applications to fields such as industrial organization, public economics, health, macro or development.

Grades will be based on problem sets and a final exam. There will be three problem sets for this part of the course.

Sessions and Readings:

1. Single-Agent Adverse Selection (Sept 2, 7): BD, Ch. 2, esp. Sections 2.3.1 and 2.3.3

2. Single-Agent Moral Hazard (Sept 9, 14): BD, Ch. 4 (esp. Sections 4.2, 4.3, 4.4, 4.5)

3. Multi-Agent Adverse Selection; Bargaining and Auctions (Sept. 16, 21*): BD, Ch. 7 (esp. Sections 7.2, 7.3)
   (*: The date of this lecture needs to be shifted to later in the week as I will be away that day)

4. Multi-Agent Moral Hazard (Sept 23, 28): BD, Ch. 8 (esp. Sections 8.1, 8.2, 8.3)

5. Contract Dynamics (Sept 30, Oct. 5): BD, Ch. 9 (esp. Sec 9.1, 9.2), Ch. 10 (Sec 10.1)

6. Hierarchies and Decentralization (Oct 7, 14, 19, 21):
   The material for this section of the course is surveyed in
   Papers covered will include:

