Topics in Incentive Theory: (Financial) Markets and Contracts

| Course title – Intitulé du cours	Topics in Incentive Theory: (Financial) Markets and Contracts
Level / Semester – Niveau /semestre	2
School – Composante	Ecole d'Economie de Toulouse
Teacher – Enseignant responsable	Andrea Attar
Other teacher(s) – Autre(s) enseignant(s)	
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Other teacher(s) – Autre(s) enseignant(s)	
Lecture Hours – Volume Horaire CM	15
TA Hours – Volume horaire TD	
TP Hours – Volume horaire TP	
Course Language – Langue du cours	English
TA and/or TP Language – Langue des TD et/ou TP	English

Teaching staff contacts:

- email(s) address(es),
- office(s) number(s),
- office(s) hours/day(s) of the week when students can drop by
- preferred means of interaction (after the classes, by email, prior appointment,…)

Andrea.Attar@tse-fr.eu

Office number: T620

Meeting students after classes
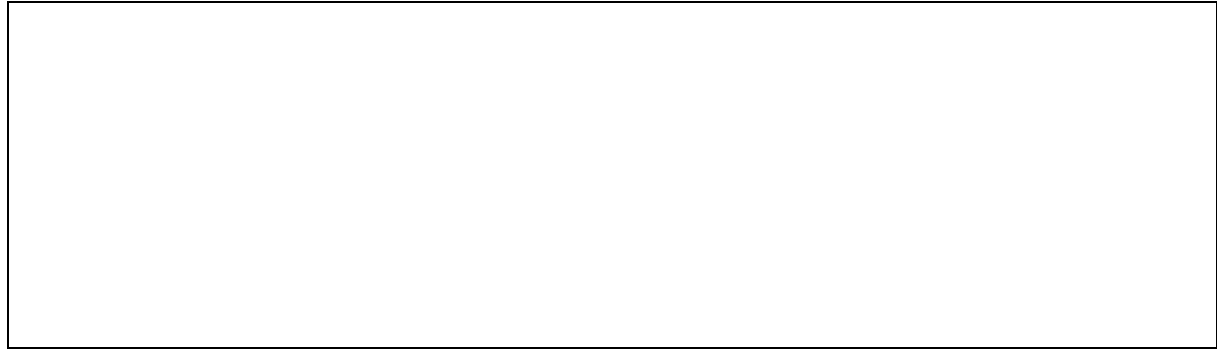
Course Objectives: **newly acquired knowledge once the course completed should be well identified**

In more detail :

- ideas, theories or methods that will be illustrated in class;
- methods that will be used and that students are expected to be proficient in;
- skills that will be developed during the course (type of problems to be resolved, ability to provide written and oral comments on an empirical analysis,…).

It is preferable to specifically list simple objectives with verbs, so that it is easy to evaluate whether these objectives are achieved at the end of the course or to identify the areas for improvement (for instance : for implementation goals - test hypotheses and draw correct inferences using test statistic; for conceptual goals - characterize first-degree, second-degree and third-degree price discrimination;…).

This course is centered on a growing literature which extends the traditional theories of incentives and optimal contracting to a competitive framework.

Our focus is on strategic approaches. We first provide a methodological introduction, which aims at revisiting the foundations of mechanism design and its recent extensions to competing mechanism games. We next move to competitive settings, covering both moral hazard and adverse selection economies.

Hopefully, the lectures will provide new insights to evaluate the effects of financial constraints due to the combination of agency problems and competition among intermediaries on economic activity and market performances.

Prerequisites :

- skills and competences needed/previously acquired
- or the title(s) of the compulsory course(s) which should have been taken before

No background beyond first year graduate microeconomics is required, although familiarity with contract theory and information economics is useful.

Practical information about the sessions:

- please specify if laptops or tablets are accepted or not in the class,
- expectation on students' participation,
- how will be treated students that arrive to class late…..

Students' participation is key.

Lectures are interactive, and most insights are conveyed through discussions with students.

I expect all students to cooperate. Their engagement in the lectures will be taken into account in the final evaluation.

Grading system :

- final exam or midterm exams
- Teaching Assistant grading
- weights of the weighted average main cours-TA (consistent with the voted examination "arrêté d'examen"),
- semester calendar,
- how to handle late homework…

Final Exam

Bibliography/references :

- list of assigned readings and other course materials : books (chapters), internet links,…

(∗) Myerson, R.B. (1982): Optimal Coordination Mechanisms in Generalized Principal- Agent Problems, *Journal of Mathematical Economics*, 10(1): 67–81.

(∗) Forges, F. (1986): An Approach to Communication Equilibria, *Econometrica*, 54(6): 1375-1385.

(∗) Martimort, D. and L. Stole (2002): The Revelation Principle and the Delegation Principle in Common Agency Games, *Econometrica*, 70(4): 1659-1673.

(∗) T. Yamashita (2010): A revelation principle and a folk-theorem for games with multiple principals and multiple agents, *Econometrica*, 78(2):791-801.

(∗) B.Szentes (2015): Contractible Contracts in Common Agency Problems, *Review of Economic Studies*, 82(1): 391-422.

(∗) Glosten, L.R. (1994): Is the Electronic Open Limit Order Book Inevitable? *Journal of Finance*, 49(4), 1127–1161.

(∗) Biais, B., D. Martimort, and J.C. Rochet (2000): Competing mechanisms in a common value environment, *Econometrica*, 78(4): 799-837.

(∗) Attar, A., Mariotti, T., and F. Salanie (2011): Non-exclusive competition in the market for lemons, *Econometrica*, 79(6): 1869-1918.

(∗) Attar, A., Mariotti, T., and F. Salanie (2014): Non-exclusive competition under adverse selection, *Theoretical Economics*: 9, 1-40.

(∗) Attar, A., Mariotti, T., and F. Salanie (2021): Entry-Proofness and Discriminatory Pric- ing under Adverse Selection, *American Economic Review (forthcoming)*.

(∗) Galperti S. (2015): Common Agency with Informed Principals: Menus and Signals, *Journal of Economic Theory*, 157: 648-667.

(∗) Kurlat, P. and F. Scheuer (2021): Signaling to Experts, *Review of Economic Studies* (forthcoming).

(∗) Fudenberg D., and J. Tirole (1990): Moral hazard and renegotiation in contracts, *Econometrica* 58: 1279-1319.

(∗) Parlour, C. A., and U. Rajan (2001): Competition in Loan Contracts, *American Eco- nomic Review*, 91(5): 1311-1328.

(∗) Bisin, A. and D. Guaitoli (2004): Moral Hazard and Nonexclusive Contracts, *Rand Journal of Economics* 35(2): 306-328.

(∗) Attar, A., Casamatta, C., Chassagnon, A. and J.P. Decamps (2019): Multiple Lenders, Strategic Default and Covenants, *American Economic Journal: Microeconomics*, 11(2): 98-130.

Session planning :

- presentation of the sessions, connection with the resources

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Distance learning *:*

Distance learning can be provided when necessary by implementing, for example:

- Interactive virtual classrooms
- Recorded lectures (videos)
- MCQ tests and other online exercises / assignments
- Remote (online) tutorials (classes)
- Chatrooms

Interactive virtual classrooms

Recorded videos