

## **ECON 537 - Contracts, Organizations and Institutions Fall 2009**

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### **Administrative details**

Date and Location of class: Monday 10:00-12:50pm, KAP 319.

Web: Information is posted on the web at <http://www-rcf.usc.edu/~brocas>. The Web is your source of information for all details concerning the organization of the course.

Contact: It is recommended you check the web regularly for general questions. For specific or personal questions, contact me by e-mail ([brocas@usc.edu](mailto:brocas@usc.edu)).

Office hours: Monday afternoon by appointment only, KAP 314.

Disability : Students requesting academic accommodations based on a disability are required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP when adequate documentation is filed. Please be sure the letter is delivered to me as early in the semester as possible. DSP is open Monday-Friday, 8:30-5:00. The office is located at Student Union 301 (Ph.: (213) 740-0776. Extra time for examinations must be arranged by the students with DSP (see dates of examinations below).

Attendance: in case you cannot attend a class, it is your responsibility to check the information that is posted on the web, and arrange with other students in your class to get class notes.

**Prerequisites**: ECON 303 is required. Nevertheless, a good background in Calculus and Probability Theory is highly recommended. You should be comfortable with mathematical notations and formal reasoning.

**Grading policy**: the final grade is a weighted average of three components:

- Term paper : 30%
- Two in-class exams: 60%
- Participation: 10%

Absolute grading will be used.

Research article: each student will have to write a detailed comment on a research article picked from the list at the bottom of the page <http://www-rcf.usc.edu/~brocas/ECON537mat.html>. Each student will have to present it in class and return a final paper to me. Further details will

be provided after the end of the enrollment period (the schedule of presentations will depend crucially on the size of the class).

In-class exams: they will be closed book and consist mostly on problem sets. Not showing up at an exam is a 0.

Participation: Each student's participation will be evaluated with respect to the contribution that student makes towards the entire class' learning experience; in other words, quality of contribution matters more than frequency of speech. Attendance is a necessary but not sufficient condition for earning an acceptable class participation score.

Important: if you wish to appeal your grade on any written assignment, return your assignment to me along with a memo explaining why you think the grade should be changed. All exams will be re-graded in their entirety.

**Problem sets** : problem sets will be provided and solved in class. They are meant to illustrate the concepts presented in class and to prepare students to solve exams questions. Even though they are not graded, you should prepare them as if they were.

**Deadlines:**

- First in-class exam: October 5, 2009 (subject to changes).
- Second in-class exam: November 2, 2009 (subject to changes).
- Term paper due: November 30, 2009.
- In-class presentations: scheduled at the beginning of the semester.

Important: if the in-class examinations fall at a time that conflicts with your observance of a holy day, please contact me before September 10, 2009 to schedule an alternative date.

## ECON 537 - Contracts, Organizations and Institutions

**Description of the course:** The aim of this course is to present economic models of selected topics in Contract Theory and Theory of Organizations. Topics include auctions, regulation, price discrimination and career concerns.

**Topics:** we shall cover the following topics (subject to changes):

Topic 1: Introduction to adverse selection

Topic 2: Price discrimination

Topic 3: Regulation under adverse selection

Topic 4: Auctions

Topic 5: Signaling

Topic 6: Moral hazard

Topic 7: Incomplete contracts

**Recommended textbooks:** none of those are required

- *The Economics of Contracts : A Primer*, B. Salanie, MIT Press (1997).
- *The Theory of Incentives: The Principal-Agent Model*, J.J. Laffont and D. Martimort, Princeton Univ Press (2002).