

Prof. Campbell: Phone 1-2383 / e-mail: decamp@wm.edu / Office: Tyler 246

We examine the ways in which markets and governments create incentives to elicit private information from individuals and firms, and how individual welfare is affected as a result.

The final grade will be based on:

1. Weekly problem sets that will be assigned by me in class and submitted for grading by the end of the class period, exactly one week later. (20 points).
2. Three tests, written in class: 2/10, 3/17, 4/7. (20 points each)
3. Final examination at 2pm on May 5. (20 points)

Please note: I will not accept your problem set if it is submitted on paper with jagged edges. I will not change the test date for anyone who has a heavy schedule during the week of our test. I will reschedule a test for someone who is seriously ill, and anyone who is out of town on college business — model UN, or intercollegiate athletics, for instance.

I will be available in my office between 10:00am and 1:00pm on Mondays and Wednesdays, and I will also be happy to advise you via email.

The only text that you will have to purchase is the **second** edition of my book *Incentives*, published by Cambridge University Press. It is available at the bookstore and through the usual internet sources. **The first edition will not do.**

Here is a list of the topics that we will cover along with the associated reading assignment.

1. INTRODUCTION TO THE COURSE (Read pages 1 – 44)
 - Asymmetric information* (Section 1 of Chapter 1)
 - Taxi!* (Section 2 of Chapter 1)
 - Picking a Winner* (available on “Blackboard” site under *Course Documents*)
 - Efficiency* (Section 4 of Chapter 1)
 - Equilibrium* (Section 5 of Chapter 1)

2. MARKETABLE POLLUTION RIGHTS (Read pages 71 – 76, and 143 – 151)
 - Maximizing a quadratic* (Section 1 of Chapter 2)
 - Marketable pollution rights* (Section 2 of Chapter 3)

3. AUCTIONS (Read pages 121-2, 326 – 341; 349 – 356; 358 – 361; 363 – 370; 374 – 383)
 - Introduction* (Section 1 of Chapter 6)
 - The Vickrey auction* (Section 2 of Chapter 6 but skip 2.2 and 2.3)
 - Four basic auction mechanisms* (Section 3 of Chapter 6 but skip 3.4)
 - Revenue equivalence* (Section 4 of Chapter 6 but skip 4.2 and 4.6)
 - Uniform probability distribution* (Section 6.5 of Chapter 2)
 - Applications* (Section 5 of Chapter 6)
 - Interdependent values* (Section 6 of Chapter 6)

4. REVELATION OF PREFERENCES (Read pages 384 – 411)
 - Voting schemes* (Section 1 of Chapter 7)
 - Preference revelation in general* (Section 2 of Chapter 7)

5. MATCHING (Read pages 469 – 494; 499 – 512)
 - Advisors and advisees* (Section 1 of Chapter 9)
 - College admissions* (Section 2 of Chapter 9)
 - Allocating dormitory rooms* (Section 4 of Chapter 9)
 - Top Trading Cycle Algorithm* (available on “Blackboard” site under *Course Documents*)
 - Kidney transplants* (Section 5 of Chapter 9)

6. THE LABOR MARKET (Read pages 290 – 303)
 - Job market signaling* (Section 6 of Chapter 5 but skip pooling equilibria)

7. CREDIT MARKETS (Read pages 155 – 163)
 - The savings and loan crisis* (Section 4 of Chapter 3)