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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. Two tests, written in class. (2/14, 3/20, and 4/10. Worth 20 points each)
3. Final examination at 2pm on May 12. (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 from 10am to 2pm on Thursdays. I will also be happy to advise you via email.

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

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

1. INTRODUCTION TO THE COURSE (Read pages 1 – 40)
 - Asymmetric information* (Section 1.1 of Chapter 1)
 - Taxi!* (Section 1.2 of Chapter 1)
 - Picking a Winner* (Section 1.3 of Chapter 1)
 - Efficiency* (Section 1.4 of Chapter 1)
 - Equilibrium* (Pages 41 - 40)

2. MARKETABLE POLLUTION RIGHTS (Read pages 72 – 75, and 155 – 166)
 - Maximizing a quadratic* (Section 2.1 of Chapter 2)
 - Marketable pollution rights* (Section 3.2 of Chapter 3)

3. AUCTIONS (Read pages 120-1; 358–366; 367–374; 387–394; 397–408; pages 410, and 413–421)
 - Introduction* (Section 6.1 of Chapter 6)
 - Uniform probability distribution* (Section 2.6.5 of Chapter 2)
 - The Vickrey auction* (Section 6.2.1 of Chapter 6)
 - Four basic auction mechanisms* (Section 6.3 of Chapter 6 but skip 6.3.4)
 - Revenue equivalence* (Section 6.4 of Chapter 6 but skip 6.4.2 and 6.4.6)
 - Applications* (Section 6.5 of Chapter 6)
 - Interdependent values* (Section 6.6 of Chapter 6)

4. REVELATION OF PREFERENCES (Read pages 424 – 449)
 - Voting schemes* (Section 7.1 of Chapter 7)
 - Preference revelation in general* (Section 7.2 of Chapter 7)

5. MATCHING (Read pages 505 - 537 and 544 - 568)
 - Advisors and advisees* (Section 9.1 of Chapter 9)
 - College admissions* (Section 9.2 of Chapter 9)
 - Allocating dormitory rooms* (Section 9.4 of Chapter 9)
 - Top Trading Cycle Algorithm* (Section 9.5.1 of Chapter 9)
 - Kidney transplants* (Sections 9.5.2 and 9.5.3 of Chapter 9)
 - Lung transplants* (Section 9.6 of Chapter 9)

6. THE LABOR MARKET (Read pages 321 – 333)
 - Job market signaling* (Section 5.6 of Chapter 5 but skip pooling equilibria)