COURSE CONTENT

Course Coordinator: Christos Sakellariou
Course Code: HE4011
Course Title: Current Topics in Economics
No of AUs: 4
Contact Hours: 39 hours (3 hours seminar per week)

Course Aims
This course is targeted to students near graduation and about to enter the labour market. You will learn to deal with the consequences of relaxing the assumptions of certainty and symmetric information between economic agents in market transactions. Considering the presence of risk when making decisions as well as information asymmetry between agents brings us closer to the real world. When information asymmetry is present, market inefficiencies result. Hence, there is a role for policy makers in designing policies to reduce such inefficiencies.

Intended Learning Outcomes (ILO)
By the end of this course, you (as a student) would be able to:

1. Recognize the nature of risk, attitude towards risk by economic agents, and the value of information.
2. Distinguish between various manifestations of information asymmetry.
3. Appraise how the presence of asymmetric information changes incentives of economic agents.
4. Identify what policy intervention is suitable for various manifestations of asymmetric information.

Course Content
The first part of the course (weeks 1 and 2) explores how decisions are made under uncertainty and risk. Subsequently, we’ll start building an understanding of the nature and consequences from the presence of asymmetric information in market transactions. We’ll distinguish between “adverse selection” and “moral hazard” situations using real world examples, especially from the insurance industry. Our discussion will highlight how policy interventions such as the “lemons” laws, compulsory insurance, warranties, etc., are designed to limit the harmful consequences of asymmetric information.

Assessment (more details will be announced in class)
CA1: 25%
CA2: 20%
CA3: 5%
Final Examination: 50%

Total: 100%
Reading and References
Detailed lecture slides are provided.
The course content is based on research papers which from the foundation of the topics covered, as well as some more recent papers.

A list of research papers from the relevant literature, on which team project can be based on, is also provided.

List of paper available for team project selection:

On origin of risk-aversion/ Anomalies of Expected Utility Theory/ Understanding Bayes Rule:

On Adverse Selection

On Agency Theory and Moral Hazard

On Asymmetric Information and the Labour Market
(3) Akerlof 1982. “Labor contracts as partial gift exchange.”
(6) Ransom 1993. “Seniority and monopsony in the academic labor market.”
(8) Lazear 1979. “Why is there mandatory retirement?”

Course Instructors

<table>
<thead>
<tr>
<th>Instructor</th>
<th>Office Location</th>
<th>Phone</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Christos Sakellariou</td>
<td>HSS-04-64</td>
<td>67904809</td>
<td><a href="mailto:acsake@ntu.edu.sg">acsake@ntu.edu.sg</a></td>
</tr>
</tbody>
</table>

Planned Weekly Schedule

<table>
<thead>
<tr>
<th>Week</th>
<th>Topic</th>
<th>Course LO</th>
<th>Readings/ Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Decision making under Uncertainty.</td>
<td>1</td>
<td>Lecture slides</td>
</tr>
<tr>
<td>2</td>
<td>Decision making under Uncertainty (continued)</td>
<td>1</td>
<td>Lecture slides</td>
</tr>
<tr>
<td></td>
<td>Tutorial 1 - discussion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Tutorial 2 – discussion Adverse Selection</td>
<td>2, 3, 4</td>
<td>Lecture slides</td>
</tr>
<tr>
<td>4</td>
<td>Tutorial 3 – discussion Moral Hazard.</td>
<td>2, 3, 4</td>
<td>Lecture slides</td>
</tr>
<tr>
<td>5</td>
<td>Efficiency wages and related issues.</td>
<td>2, 3, 4</td>
<td>Lecture slides</td>
</tr>
<tr>
<td>6</td>
<td>Information issues in the labor market.</td>
<td>2, 3, 4</td>
<td>Lecture slides</td>
</tr>
<tr>
<td>7</td>
<td>Wrapping up lectures 1st Team presentation</td>
<td>2, 3, 4</td>
<td>Lecture slides</td>
</tr>
<tr>
<td>8</td>
<td>Team Presentations</td>
<td></td>
<td>See list</td>
</tr>
<tr>
<td>9</td>
<td>Team Presentations</td>
<td></td>
<td>See list</td>
</tr>
<tr>
<td>10</td>
<td>Team Presentations</td>
<td></td>
<td>See list</td>
</tr>
<tr>
<td>11</td>
<td>Team Presentations</td>
<td></td>
<td>See list</td>
</tr>
<tr>
<td>12</td>
<td>Team Presentations</td>
<td></td>
<td>See list</td>
</tr>
</tbody>
</table>