

Reading List

The papers with three stars are highly recommended for your own reading. All items with two stars or more will be discussed in more detail. The papers with one star will be mentioned briefly. The rest are supplementary references.

The list of advanced topics for student presentations will be distributed separately.

Most of the following research papers can be found in the respective packages:

1. [Books and Surveys](#)
2. [Moral Hazard](#)
3. [Adverse Selection](#)
4. [Mechanism Design](#)
5. [Incomplete Contracts](#)

1. Books and Surveys

- *** Bolton, P. and M. Dewatripont 2005 *Contract Theory* Cambridge (Mass.): MIT Press
- ** Börgers, T., 2015, *An introduction to the theory of mechanism design*, Oxford: Oxford University Press.
- ** Hart, O., 1995, *Firms, Contracts, and Financial Structure*, Oxford: Clarendon Press.
- ** Hart, O. and B. Holmström, 1987, "The Theory of Contracts", in T. Bewley (ed.), *Advances in Economic Theory*, Cambridge: Cambridge University Press.
- ** Laffont, J.J. and D. Martimort, 2002, *The Theory of Incentives: The Principal Agent Model*, Princeton, NY: Princeton University Press.
- * Laffont, J.J. and J. Tirole, 1993, *A Theory of Regulation and Procurement*, Cambridge (Mass.): MIT-Press.
- * Mas-Colell, A., Whiston, M., and Jerry R. Green, 1995, *Microeconomic Theory*, Oxford University Press: Oxford 1995, Chapters 13, 14 and 23.
- * Milgrom, P. and J. Roberts, 1992, *Economics, Organization and Management*, Englewood Cliffs, New Jersey: Prentice Hall.
- * Prendergast, C., 1999, "The Provision of Incentives in Firms", *Journal of Economic Literature*, Vol. 37, 7-63.
- * Salanié, B., 1997, *The Economics of Contracts*, Cambridge, MA: MIT-Press.
- *** Schmidt, K. M., 1995, *Skript: Vertragstheorie*, unpublished manuscript, Munich (in particular chapters 1-4, 6, and 7).

- * Schmidt, K. M., 2017, "Contributions of Oliver Hart and Bengt Holmström to Contract Theory", *Scandinavian Journal of Economics*, Vol. 119(3), 489-511.
- * Williamson, O., 1985, *The Economic Institutions of Capitalism*, New York: Free Press.

2 Moral Hazard

- *** Grossman, S. and O. Hart, 1983, "An Analysis of the Principal-Agent Problem", *Econometrica*, Vol. 51, 7-45.
- ** Hellwig, M. and K.M. Schmidt, 2002, "Discrete-Time Approximations of the Holmström-Milgrom Brownian-Motion Model of Intertemporal Incentive Provision", *Econometrica*, Vol. 70 (6), 2225-2264.
- *** Holmström, B., 1979, "Moral Hazard and Observability", *Bell Journal of Economics*, Vol. 10, 74-91.
- *** Holmström, B., 1982, "Moral Hazard in Teams", *Bell Journal of Economics*, Vol. 13, 324-340.
- *** Holmström, B. and P. Milgrom, 1987, "Aggregation and Linearity in the Provision of Intertemporal Incentives", *Econometrica*, Vol. 55, 303-328.
- *** Holmström, B. and P. Milgrom, 1991, "Multi-Task Principal Agent Analyses", *Journal of Law Economics, and Organization*, Vol. 7, 24- 52.
- ** Innes, R., 1990, "Limited Liability and Incentive Contracting with Ex-ante Action Choices", *Journal of Economic Theory*, Vol. 52, 45-67.
- ** Jewitt, I., 1988, "Justifying the First-Order Approach to Principal-Agent Problems", *Econometrica*, Vol. 56, 1177-1190.
- * Kirkegaard, R., 2017, "A unifying approach to incentive compatibility in moral hazard problems", *Theoretical Economics*, Vol. 12, 25-51.
- * Lazear, E. and S. Rosen, 1981, "Rank Order Tournaments as Optimal Labor Contracts", *Journal of Political Economy*, Vol. 89, 841-864.
- * Mirrlees, J., 1974, "Notes on Welfare Economics, Information and Uncertainty", in: M. Balch, D. McFadden and S. Wu (eds.) *Essays in Economic Behavior under Uncertainty*, 243-258.
- * Raith, M., 2003, "Competition, Risk, and Managerial Incentives", *American Economic Review*, Vol. 93(4), 1425-1436.
- * Rogerson, W., 1985, "The First-Order Approach to Principal-Agent Problems", *Econometrica*, Vol. 53, 1357-1367.

3 Adverse Selection

- ** Baron, D. and R. Myerson, 1982, "Regulating a Monopolist with Unknown Costs", *Econometrica*, Vol. 50, 911-30.
- * Bester, H. and R. Strausz, 2001, "Contracting with Imperfect Commitment and the Revelation Principle: The Single Agent Case", *Econometrica*, Vol. 69, 1077-1098.

- *** Fudenberg, D. and J. Tirole, 1991, *Game Theory*, MIT Press, Chapter 7.
- ** Hart, O. and J. Tirole, 1988, “Contract Renegotiation and Coasian Dynamics”, *Review of Economic Studies*, Vol. 55, 509-540.
- ** Laffont, J.J. and J. Tirole, 1986, “Using Cost Observation to Regulate Firms”, *Journal of Political Economy*, Vol. 94, 614-641.
- ** Laffont, J.J. and J. Tirole, 1988, “The Dynamics of Incentive Contracts”, *Econometrica*, Vol. 56, 1153-1175.
- * Laffont, J.J. and J. Tirole, 1990, “Adverse Selection and Renegotiation in Procurement”, *Review of Economic Studies*, Vol. 57, 597-625.
- * Schmidt, K., 1993, “Commitment through Incomplete Information in a Simple Repeated Bargaining Model”, *Journal of Economic Theory*, Vol. 60, 114-139.
- * Schottmüller, C., 2015, “Adverse selection without single crossing: Monotone solutions”, *Journal of Economic Theory*, Vol. 158, 127-164.

4 Mechanism Design

- * Bulow, J. and J. Roberts, 1989, “The Simple Economics of Optimal Auctions”, *Journal of Political Economy*, Vol. 97, 1060-90.
- ** Clarke, E.H., 1971, “Multipart Pricing of Public Goods”, *Public Choice*, Vol. 11, 17–33.
- ** Gibbard, A., 1973, “Manipulation of Voting Schemes: A General Result”, *Econometrica*, Vol. 41, 587–601.
- ** Groves, T., 1973, “Incentives in Teams”, *Econometrica*, Vol. 41, 617–31.
- * Maskin, E., 1985, “The Theory of Implementation in Nash Equilibrium: A Survey”, in: Hurwicz, L., Schmeidler, D. and H. Sonnenschein, *Social Goals and Social Organization*, Cambridge University Press, p. 173–204.
- * Mirrlees, J., 1971, “An Exploration in the Theory of Optimum Income Taxation”, *Review of Economic Studies*, Vol. 38, 175-208.
- *** Moore, J.H., 1992, “Implementation, Contracts and Renegotiation in Environments with Complete Information”, in: Laffont, J.J., *Advances in Economic Theory: Invited Papers to the World Congress of the Econometric Society*, Cambridge University Press, p. 182–282.
- ** Moore, J.H. and R. Repullo, 1988, “Subgame Perfect Implementation”, *Econometrica*, Vol. 56, 1191-1220.
- *** Myerson, R.B. and M.A. Satterthwaite, 1983, “Efficient Mechanisms for Bilateral Trading”, *Journal of Economic Theory*, Vol. 29, 265–281.
- ** Satterthwaite, M.A., 1975, “Strategy-proofness and Arrow’s conditions: Existence and correspondence theorems for voting procedures and social welfare functions”, *Journal of Economic Theory*, Vol. 10, 187–217.

5 Incomplete Contracts

- * Aghion, P., M. Dewatripont and P. Rey, 1994, "Renegotiation Design with Unverifiable Information", *Econometrica*, Vol. 62, 257-282.
- * Aghion, P. and J. Tirole, 1997, Formal and Real Authority in Organizations, *Journal of Political Economy*, Vol. 105, 1-29.
- ** Che, Y.K. and Hausch, D.B., 1999, "Cooperative Investments and the Value of Contracting", *American Economic Review*, Vol. 89, 125-47.
- * Coase, R., 1937, "The Nature of the Firm", *Economica*, Vol. 4, 386-405.
- *** Grossman, S. and O. Hart, 1986, "The Costs and Benefits of Ownership: A Theory of Vertical and Lateral Integration", *Journal of Political Economy*, Vol. 94, 691-719.
- ** Hart, O., 1995, *Firms, Contracts, and Financial Structure*, Oxford: Clarendon Press.
- ** Hart, O. and J. Moore, 1988, "Incomplete Contracts and Renegotiation", *Econometrica*, Vol. 56, 755-785.
- *** Hart, O. and J. Moore, 1990, "Property Rights and the Nature of the Firm", *Journal of Political Economy*, Vol. 98, 1119-1158.
- *** Hart, O. and J. Moore, 1999, "Foundations of Incomplete Contracts", *Review of Economic Studies*, Vol. 66, 115-138.
- * Holmström B. and J. Tirole, 1989, "The Theory of the Firm", in R. Schmalensee and R. Willig (eds.), *Handbook of Industrial Organization*, Amsterdam: North Holland.
- * Klein, B., Crawford, R. and A. Alchian, 1978, "Vertical Integration, Appropriable Rents, and the Competitive Contracting Process", *Journal of Law and Economics*, Vol. 21, 297-326.
- *** Maskin, E. and J. Tirole, 1999, "Unforeseen Contingencies and Incomplete Contracts", *Review of Economic Studies*, Vol. 66, 83-114.
- ** Nöldeke, G. and K. Schmidt, 1995, "Option Contracts and Renegotiation: A Solution to the Hold-Up Problem", *RAND Journal of Economics*, Vol. 26, 163-179.
- * Nöldeke, G. and K. Schmidt, 1998, "Sequential Investments and Options to Own", *RAND Journal of Economics*, Vol. 29, 633-653.
- * Schmidt, K., 1996, "The Costs and Benefits of Privatization: An Incomplete Contracts Approach", *Journal of Law, Economics and Organization*, Vol 12, 1-24.
- ** Tirole, J., 1999, "Incomplete Contracts: Where Do We Stand?", *Econometrica*, Vol. 67, 741-783.
- ** Williamson, O., 1985, *The Economic Institutions of Capitalism*, New York: Free Press.