



**ECON 452 A01 202209**

**Course Title: Information and incentives**

**CRN 11200**

**Instructor Name: Dr. L. Welling**

**E-Mail:** [lwelling@uvic.ca](mailto:lwelling@uvic.ca)

**Office: BEC 346**

**Classroom: Elliot Building 160**

**Times: Monday and Thursday 1:00 – 2:20 pm**

**Office Hours: Online through Zoom; times TBA.**

### **UVic Land Acknowledgement**

*We acknowledge with respect the Lekwungen peoples on whose traditional territory the University of Victoria stands, and the Songhees, Esquimalt and WSÁNEĆ peoples whose historical relationships with the land continue to this day.*

**Preliminary course outline** (will be updated with respect to topics and delivery method as the term progresses)

### **Course Content**

The calendar entry for *Information and Incentives* says this course covers

“Theory and applications of the principal agent model to moral hazard, adverse selection and signalling problems.

The first part of the course reviews and expands upon some of the concepts from your intermediate microeconomics courses (ECON 203 and 313 at UVic); in particular, the basic concepts we use to model choice under uncertainty (starting with the market for insurance). The majority of the class deals with asymmetric information.

**Textbook:** Bonanno, G. (2019) *Uncertainty, Risk and Information: an economic analysis*, independently published. Available for free download at [http://faculty.econ.ucdavis.edu/faculty/bonanno/PDF/URI\\_book.pdf](http://faculty.econ.ucdavis.edu/faculty/bonanno/PDF/URI_book.pdf) (Paperback can be purchased through Amazon.ca or from the author’s website.)

Following the order in the text, after the introductory material we will first cover adverse selection and then moral hazard.

### **Supplementary:**

any modern intermediate micro text and/or advanced– examples:

Campbell, Donald E. (2), *Incentives: motivation and the economics of information*, 3<sup>rd</sup> edition

Frank, Robert H. (2014), *Microeconomics & Behaviour*, 9th Edition, McGraw-Hill Ryerson or an alternative intermediate micro text.

Varian, H. *Microeconomic Analysis* Undergraduate text, any recent edition

**Course web page:** <https://bright.uvic.ca/d2l/home/219131>

**Topics / tentative outline** (will be modified/updated as the course proceeds, depending on timing and interests)

Date	Topics	Readings in text	Activities/Due dates
Weeks 1-3	Introduction, Insurance and expected utility	Chapters 1-5	Assign #1 due noon September
Weeks 3-4	Risk sharing and Pareto efficiency Principal-Agent model	Chapter 6	Midterm October 13, class
Weeks 5-6	Adverse Selection I	Chapters 7-8	
Week 7	<i>Spring break</i>		No classes November 9-11
Week 8	Adverse selection II	Chapter 9	
Week 9-10	Moral Hazard	Chapters 9-11	
Weeks 11-12	Applications (lectures and student presentations) <i>Some of:</i> <i>Auctions</i> <i>Voting</i> <i>Matching</i> <i>Networks</i> <i>Other</i>	Depends on topics chosen for presentations.	Last class Thursday December 1.

**NOTES:** all dates are Vancouver time (PST)

All assignment dates are tentative (within a day or so). Students will have at least 1 week to complete each assignment; if an assignment is released late the due date will also be later.

1. Introduction and foundations:
  - asymmetric information
  - choice under uncertainty/risk:
    - F, ch 6.B; C, ch 2.
  - lecture notes on state space
  - comparative statics: lecture notes
  - quasi-linear preferences: C, ch 2
  - basic non-cooperative game theory
2. Hidden action (moral hazard): C, ch 3-4
3. Hidden knowledge (adverse selection): C, ch 5
4. Auctions: C, ch 6
5. Voting: C, ch 7
5. Matching: C, ch 9
6. Networks: C, ch. 10
7. (Class presentations?)

### Evaluation

Final marks will be based on the following components:

1. **Assignments** (15%): three - four problem sets. These are meant to go beyond what is covered in lectures, so I encourage you to work with others on the assignment. You may submit the problem sets individually or as part of a group. More TBA .
2. **Examinations** (60%):  
mid-term exam (on Thursday, October 13), and  
a three hour comprehensive final exam (during the examination period).
3. **Group project** (25%); exact form TBA.

### Make-up tests and exams

Make-up tests and exams will be arranged by the Economics main office. I will give you information as soon as it is available. Students must be registered with the main office by their instructor no later than the Wednesday before the exam.

### Grading scale

Grading Scale:

A+	A	A-	B+	B	B-	C+	C	D	F or N
90-100	85-89	80-84	77-79	73-76	70-72	65-69	60-64	50-59	0-49

Students should review the University's more detailed [summary of grading](#).

### Notes

1. You must pass the final exam to pass this course.
2. The final will be worth either 40% or 45%. The midterm will be worth 20% or 15%. I will determine the marking scheme after the final is marked; you will receive the grade that gives you the higher mark out of 60%.
3. Students should not make travel plans for the end of the year until after the final exam schedule is announced.

### **Essential components:**

You must complete the first assignment to write the midterm.

You must pass the final exam to pass the course.

Grading Scale:

A+	A	A-	B+	B	B-	C+	C	D	F or N
90-100	85-89	80-84	77-79	73-76	70-72	65-69	60-64	50-59	0-49

Students should review the University's more detailed [summary of grading](#).

### Course Policies

This course adheres to the [Undergraduate Course Policies](#) of the Department of Economics that deal with the following issues:

- Academic concessions
- Academic integrity (plagiarism and cheating)

- Attendance
- Grading
- Inclusivity and diversity
- Late adds
- Late assignments
- Repeating courses
- Review of an assigned grade
- Sexualized violence prevention and response
- Students with a disability
- Term assignments and debarment from examinations
- Travel plans
- Waitlists

The following policies are explicitly included because of their importance.

### **Examinations**

Attendance at all scheduled examinations is mandatory. Consideration for missed examinations will be given only on the basis of documented illness, accident or family affliction, and for no other reasons. In the event of a missed final examination, students are advised to follow the procedures outlined in the [University Calendar](#).

Students are advised not to make work or travel plans until after the examination timetable has been finalized. Students who wish to finalize their travel plans at an earlier date should book flights that depart after the end of the examination period. There will be no special accommodation if travel plans conflict with the examination.

### **Waitlist Policies**

- Instructors have no discretion to admit waitlisted students or raise the cap on the course.
- Students on the waitlist should discuss with the instructor how to ensure they are not behind with coursework in the event they are admitted.
- Registered students who do not show up in the first seven calendar days from the start of the course may be dropped from the course.
- Registered students who decide not to take the course are responsible for dropping the course, and are urged to do so promptly out of courtesy toward waitlisted students.
- Waitlist offers cease after the last date for adding courses irrespective of published waitlists.
- Any students who are still waitlisted in a course **after** the course add deadline should stop attending/completing coursework. Students are responsible for being aware of this deadline and will not be eligible for credit in the course despite continuing to complete coursework.

### **Academic Integrity**

Academic integrity requires commitment to the values of honesty, trust, fairness, respect, and responsibility. Students are expected to observe the same standards of scholarly integrity as their academic and professional counterparts. A student who is found to have engaged in unethical academic behaviour, including the practices described in the [Policy on Academic Integrity](#) in the University Calendar, is subject to penalty by the University.

You will be asked to sign a pledge of integrity on each exam/assignment that you undertake online.

Review <https://www.uvic.ca/library/help/citation/plagiarism/index.php> for the definition of plagiarism. Note: Submitted work may be checked using plagiarism detection software.

### **Student Code of Conduct**

<https://www.uvic.ca/services/advising/advice-support/academic-units/student-code-of-conduct/index.php>

### **University Policy on Human Rights, Equity and Fairness**

The University is committed to promoting, providing and protecting a positive, supportive and safe learning and working environment for all its members.

See [General University Policies](#)

### **Accessibility & Health Resources**

#### **Centre for Accessible Learning**

Students with diverse learning styles and needs are welcome in this course. In particular, if you have a disability/health consideration that may require accommodations, you are free to approach me; however, you must register with the [Centre for Accessible Learning](#) (CAL) for formal arrangements to be made. The CAL staff are available by appointment to assess specific needs, provide referrals and arrange appropriate accommodations. The sooner you let us know your needs the quicker we can assist you in achieving your learning goals in this course.

[Health Services](#) - University Health Services (UHS) provides a full service primary health clinic for students, and coordinates healthy student and campus initiatives.

[Counselling Services](#) - Counselling Services can help you make the most of your university experience. They offer free professional, confidential, inclusive support to currently registered UVic students.

[Elders' Voices](#) - The Office of Indigenous Academic and Community Engagement (IACE) has the privilege of assembling a group of Elders from local communities to guide students, staff, faculty and administration in Indigenous ways of knowing and being.

### **Brightspace**

- Brightspace is used extensively for this course. All students are expected to be fully functional with the system.
- The lecture slides will be posted in Brightspace. Please note that the lecture slides online are primarily in point form and provide only outlines of the actual lectures.
- All announcements will be posted in Brightspace. Students are advised to check it frequently.
- I will post assignments on Brightspace and you will submit your answers there.
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### **Course Experience Survey (CES)**

I value your feedback on this course. Towards the end of term you will have the opportunity to complete a confidential course experience survey (CES) regarding your learning experience. The survey is vital to providing feedback to me regarding the course and my teaching, as well as to help the department improve the overall program for students in the future.

When it is time for you to complete the survey, you will receive an email inviting you to do so. If you do not receive an email invitation, you can go directly to the [CES log-in](#). You will use your UVic NetLink ID to access the survey, which can be completed on your laptop, tablet or mobile device. I will remind you nearer the time, but please be thinking about this important activity, especially the following three questions, during the course.

- What strengths did your **instructor** demonstrate that helped you learn in this course?
- Please provide specific suggestions as to how the **instructor** could have helped you learn more effectively.
- Please provide specific suggestions as to how this **course** could be improved.

### **Learning Outcomes (to be added)**

By completing the course students can expect to have learned how to:

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### **E-mail correspondence**

Emails should be limited to critical matters, such as inability to attend class or an exam, prolonged illness or to arrange an appointment. **You must include ECON 452 in the subject line**, even if you are replying to an email generated by Brightspace. Questions on course material should be asked through Brightspace or during office hours or in class. The standard format for writing a letter must be used. This means it should begin with a salutation (e.g. Dear.... or Hello ....), include full sentences and it must conclude with a signature that includes your **fullname and V#**. Text message lingo should not be used.

### **Electronic devices**

In order to minimize distractions for me and the other students, please turn off or silence your phone during class. If this is a serious inconvenience for you– family or business needs, for example – please let me know.

### **Sexualized Violence Prevention & Response**

UVic takes sexualized violence seriously, and has raised the bar for what is considered acceptable behaviour. Students are encouraged to learn more about how the university defines sexualized violence and its overall approach by visiting [www.uvic.ca/svp](http://www.uvic.ca/svp). If you or someone you know has been impacted by sexualized violence and needs information, advice, and/or support please contact the sexualized violence resource office in Equity

### **Important Dates: Fall 2022**

Classes start: Wednesday September 7 (first class for 452 is Thursday September 8)  
(Daylight Savings Time ends: Sunday November 6)  
Reading Break: November 9-11  
Classes end: Monday Dec 5 (last class for 452 is Thursday Dec 1)

### **Statutory holidays (University closed)**

National Day for Truth and Reconciliation: September 30  
Thanksgiving: Monday, October 10  
Remembrance Day: Friday, November 11

### **Important resources**

UVic Learn Anywhere <https://onlineacademiccommunity.uvic.ca/LearnAnywhere/>  
UVic Covid updates: <https://www.uvic.ca/return-to-campus/>

Note: I have a number of close friends and family members who are immune-compromised, so I will likely be wearing a mask much of the time in the classroom.