

IWH-DPE/CGDE

**Prof. Dr. Anja Schöttner (Chair of Organizational Economics, University of Konstanz)**

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9/10 October 2014 and 13/14 October 2014 (each day 9:00-12:15 pm. and 13:30-16:45 pm.)

## FRONTIERS IN MICROECONOMICS

– Topics in Contract Theory –

### Course Outline

The course focuses on hidden action (or moral hazard) problems with applications in organizational and personnel economics. We start with basic single-task moral hazard models and then cover the following topics:

- multitasking
- imperfect performance measurement
- relational contracts
- job design

In the first half of the course, we study seminal papers on the above topics (lecture, but with some interaction). In the second half of the course, every student who needs to pass the course for his curriculum has to present a paper from a list of recent papers, which will then be discussed in class. The purpose is to identify current research topics and develop research ideas.

### Requirements for Passing the Course

- presentation of a paper (50% of final grade)
  - Students taking the exam will be assigned a paper after registering for the course. Presentations are scheduled for October 13 and 14.
- problem sets (50% of final grade)
  - Problem sets are assigned at the end of the last class. They include some contract-theoretical problems and the development of a small model for analyzing a specific problem. Solutions are due on October 24, 6 pm. Students may work together in groups, but everybody has to hand in his or her own solution.

### Venue

Halle Institute for Economic Research (IWH)  
Kleine Maerkerstrasse 8  
06108 Halle (Saale)  
conference room (ground floor)

### Registration

Please contact Annett Hartung, Phone: +49 345 7753 751, E-mail: [annett.hartung@iwh-halle.de](mailto:annett.hartung@iwh-halle.de),  
until 30 June 2014.

Consultation hours will be offered after the course on 9 October and 13 October.

IWH Doctoral Programme  
in Economics

## References – Lecture

- Baker, G.** (1992): Incentive Contracts and Performance Measurement, *Journal of Political Economy*, 100, 598-614.
- Holmström, B. and P. Milgrom** (1991): Multitask Principal-agent Analyses: Incentive Contracts, Asset Ownership, and Job Design, *Journal of Law, Economics, and Organization* 7, Special Issue, 24-52.
- Baker, G.** (2002): Distortion and Risk in Optimal Incentive Contracts, *Journal of Human Resources*, 37, 728-51.
- Bull, C.** (1987): The Existence of Self-enforcing Implicit Contracts, *Quarterly Journal of Economics*, 102, 147-159.
- Baker, G., R. Gibbons and K. J. Murphy** (1994): Subjective Performance Measures in Optimal Incentive Contracts, *Quarterly Journal of Economics*, 109, 1125-1156.
- Levin, J.** (2002): Multilateral Contracting and the Employment Relationship, *Quarterly Journal of Economics*, 117, 1075-1103.
- Itoh, H.** (1994): Job Design, Delegation and Cooperation: A Principal-agent Analysis, *European Economic Review*, 38, 691-700.
- Holmström, B. and P. Milgrom** (1990): Regulating Trade Among Agents, *Journal of Institutional and Theoretical Economics* 146, 85-105.

## Papers for Student Presentations (to be extended)

- Bénabou, R. and J. Tirole** (2013): Bonus Culture: Competitive Pay, Screening, and Multitasking, NBER Working Paper 18936.
- Coviello, D., A. Ichino and N. Persico** (2014): Time Allocation and Task Juggling, *American Economic Review*, forthcoming.
- Ellingsen, T. and M. Johannesson** (2008): The Human Side of Incentive Theory, *American Economic Review*, 98, 990-1008.
- Khalil, F., D. Kim and J. Lawarrée** (2013): Contracts Offered by Bureaucrats, *RAND Journal of Economics*, 44, 686-711.
- Kragl, J. and A. Schöttner** (2014): Wage Floors, Imperfect Performance Measures, and Optimal Job Design, *International Economic Review*, forthcoming.
- Poblete, J. and D. Spulber** (2012): The Form of Incentive Contracts: Agency with Moral Hazard, Risk Neutrality, and Limited Liability, *RAND Journal of Economics*, 43, 215-234.
- Sliwka, D.** (2006): On the Notion of Responsibility in Organizations, *Journal of Law, Economics, and Organization*, 22, 523-547.