

Economics of Contracts and Organizations: Syllabus

University of Tokyo

2025

Administrative Information

- Course Title: Economics of Contracts and Organizations
- Instructor: Akifumi Ishihara (Institute of Social Science)
 - Office Hours: By appointment *via* email
 - Email: [akishihara\[at\]iss\[dot\]u-tokyo\[dot\]ac\[dot\]jp](mailto:akishihara[at]iss[dot]u-tokyo[dot]ac[dot]jp)
- Day and Time: S1 term, Monday 1:00-2:45, 2:55-4:40 pm
- Venue: International Academic Research Bldg 517
- Course Website:
 - akishihara.github.io/teaching/2025C0
 - UTOL: utol.ecc.u-tokyo.ac.jp/login

Course Description

This course discusses topics on contract theory, with emphasis on incentive and agency problems, at a graduate level. The aim is to provide a basic ground of theoretical frameworks and to stimulate participants' research activities on contract theory and related issues (including both theoretical and empirical works).

The course is mainly for second-year graduate students or above. Other students or post-doctoral scholars interested in this course are also welcome as long as they satisfy the prerequisite described below.

Course Outline

The course will be based on a series of lectures. (The following schedule is subject to change.)

1. Introduction

2. Moral Hazard: Basics
3. Multitasking
4. Evaluation Systems
5. Dynamic Contracting
6. Incomplete Contracting
7. Relational Contracting
8. Miscellaneous issues

Although the topics to be discussed are mainly theoretical, we will also discuss the relationships with empirical works.

Prerequisite

Participants must have knowledge of (ideally advanced, at least intermediate) microeconomics and mathematics: especially, game theory, economics of information, constrained optimization, and probability.

Topics in applied microeconomics (including industrial organization, labour economics, international trade, development economics, political economics, and others) may be related and helpful to understand the discussion in the course.

Grade

The grade will be based on two essays (mid-term and final), assigning *mock referee reports* on scholarly papers or *research proposals*.

Students are expected to take the exercises seriously as well.

Textbook

Lecture notes will be distributed. The note is mainly based on the following materials and original scholarly articles cited therein. (The reading list of scholarly articles will be distributed.)

Treatment of Principal-Agent Models

- Salanié, B. (2005): *The Economics of Contracts, A Primer Second Edition*, MIT Press.
- Macho-Stadler, I. and Pérez-Castrillo, J.D. (2001): *An Introduction to the Economics of Information: Incentives and Contracts, Second Edition*, Oxford University Press.
- Laffont, J.-J. and Martimort, D. (2002): *The Theory of Incentives: The Principal-Agent Model*, Princeton University Press.
- Bolton, P. and Dewatripont, M. (2005): *Contract Theory*, MIT Press.

Incomplete Contracts

- Hart, O. (1995): *Firms, Contracts, and Financial Structures*, Oxford University Press.
- Aghion, P., Dewatripont, M., Legros, P., and Zingales, L. (2016): *The Impact of Incomplete Contracts on Economics*, Oxford University Press.

Organizational Economics

- Milgrom, P. and Roberts, J. (1992): *Economics, Organization and Management*, Prentice-Hall.
- Gibbons, R. and Roberts, J. (2013): *Handbook of Organizational Economics*, Princeton University Press.

Miscellaneous

- The lecture will be in English (subject to change to Japanese, conditional on the participants' language fluency).
- Students without registration or outside of the University of Tokyo are also welcome (provided that they are enthusiastic about the topics in the course and satisfy the prerequisite). Please notify the instructor *via* e-mail if you intend to participate this course.
- Course materials and important information will be distributed *via* UTOL. Please notify the instructor if you cannot access UTOL.

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