THE UNIVERSITY OF HONG KONG
FACULTY OF BUSINESS AND ECONOMICS

School of Economics and Finance
ECON 3215 – Uncertainty and Information

I. Information on Instructor

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Class: TBA

Prerequisite: ECON2101/ECON2210 Intermediate microeconomics

Textbooks:

Bernard Salanie, *The Economics of Contracts*, 2d. ed., Cambridge: MIT Press, 2005.

Louis Eeckhoudt, Christian Gollier and Harrise Schlesinger, *Economic and Financial Decisions under Risk*. Princeton: Princeton University Press, 2005.

II. Course Description

This course examines the effects of uncertainty and imperfect information on individual decision making and on market equilibrium. Topics may include the expected utility hypothesis, risk bearing and risk sharing, search, adverse selection, signaling, contract theory, mechanism design, information acquisition and information transmission.

Note: This course may be regarded as an advanced undergraduate course in microeconomic theory. Students must have completed the intermediate level Microeconomic Theory course as a prerequisite.

III. Course objectives

1. Provide students with the tools necessary for studying problems related to decision making under uncertainty and imperfect information.
2. Introduce the incentive problems that may arise in situations without perfect information, and study ways to overcome those problems.

IV. Faculty goals

Goal 1: acquisition and internalization of knowledge of economics and finance
Goal 2: application and integration of knowledge
Goal 3: inculcating professionalism
Goal 4: developing global outlook
Goal 5: mastering communication skills
Goal 6: Cultivating leadership

V. Course Learning Outcomes

Course Learning Outcomes	Aligned Faculty Goals
CLO1. Understand the concept of risk aversion and its behavioral implications	Goal 1,2 & 4

CLO2. Understand the nature of the moral hazard problems and how it affects incentive structure in organizations	Goal 1,2 & 4
CLO3. Understand how asymmetric information affects the operation of markets	Goal 1,2 & 4
CLO4 Formulate decision-making problems involving probabilistic arguments and equilibrium inference	Goal 1, 2 & 5

VI. Teaching and Learning Activities

Course Teaching and Learning Activities	Expected contact hour	Study load (% of study)
TLA1 Twelve weeks of three-hour lectures to cover basic topics in the economics of uncertainty and information	42 hours	32%
TLA2 Periodic problem sets to allow students to practice solving economic problems and building economic models	60 hours	45%
TLA3 Supplementary reading list provides opportunity to read academic papers and to apply economic theory to real world problems	30 hours	23%
Total	132 hours	100%

VII. Assessment

Each learning outcome in a course should be assessed. A matrix can be a helpful way to check that the outcomes, teaching and learning activities and assessment tasks are aligned. Students can see the direct relevance of the activities and can see that they are being assessed on what is relevant and what they have been covering during the course.

Assessment Methods	Weight	Aligned Course Learning Outcomes
A1. Problem sets	10%	CLO1, CLO2, CLO3, CLO4
A2. Midterm exam	25%	CLO1, CLO2, CLO3, CLO4
A3. Class participation	5%	CLO4
A4. Final exam	60%	CLO1, CLO2, CLO3, CLO4
Total	100%	

VIII. Standards for Assessment

Course Grade Descriptors

Grade	
A	All critical aspects of the problem were clearly identified. Relevant concepts and techniques were applied to the situation; the analysis of the problem was thorough and critical. Solution to problem was coherent and complete; arguments were well-articulated and adequately supported. Good reference to class materials and beyond.

B	Most critical aspects of the problem were clearly identified. Relevant techniques were applied to the situation; the analysis of the problem was systematic. Solution to problem was complete; arguments were well-articulated and adequately supported. Appropriate reference to class materials.
C	Most critical aspects of the problem were identified. Relevant concepts were applied to the situation; the analysis of the problem was systematic. Solution to problem was coherent; arguments were consistent and adequately supported. Limited reference to class materials.
D	Basic critical aspects of the problem were identified. Relevant concepts and techniques were not well applied to the situation, and analysis of the problem remained largely descriptive. There is basic structure in the solution; some arguments were consistent but not sufficiently supported. Limited reference to class materials.
F Fail	Failed to identify basic critical aspects of the problem. Concepts and techniques applied were not relevant to the situation; analysis of the problem was descriptive or missing. Structure of the solution is incomplete; arguments were fragmented or not at all supported. No reference to the class materials.

Assessment Rubrics for Each Assessment (Same as Course Grade Descriptors)

IX. Academic Conduct

1. Students are encouraged to work together in groups to solve the problem sets. However each student must turn in his or her own solution. Copying another student's answers is not permitted even with consent. Assignments should be completed in legible handwriting.
2. Plagiarism and cheating in exams are serious academic offenses.
3. Please observe appropriate classroom etiquette and be considerate to others.

X. Course Schedule

Weeks 1-4: Basic tools
Weeks 5-7: Moral hazard
Weeks 8: Midterm exam
Weeks 9-10: adverse selection
Week 11: Signaling
Week 12: Mechanism design