

Course no.	MPE 140
Course title	<b>Theory of contracts</b>
Number of credits	3
Number of lectures-tutorial-practicals	42-0-0
Course coordinator	Prof. Badal Mukhopadhyay

**Course outline**

The traditional theory of markets does not require buyers and sellers to know one another; indeed, such knowledge is explicitly ruled out. But almost every act of exchange and trade that we engage in works other wise. Apart from petty purchases and daily grocery every act of exchange involves a contract.

The drafting and implementation of contracts belongs to the study of law. In economics we are concerned with the knowledge and information (or lack of it) that visits these contracts. The asymmetric information ingrained in these situations is what makes them both more realistic and complex.

**Evaluation procedure**

- There will be at least two tutorial sessions.
- 2 minor tests                                     30% each.
- Major test   40%.

Chapters of the texts relevant for respective topics will be announced in class.

A fuller readings list will be issued soon.

**Details of course contents and allotted time**

Sr. No	Details	Time allotted (hours)		
		Lecture	Tutorials	Practicals
1.	General introduction—Adverse selection and Moral Hazard	2		
2.	Product selection and quality in a monopoly	3		
3.	Adverse selection and incentive compatibility	4		
4.	Examples	10		
5.	Moral hazard—Principal –Agent models	8		
6.	Examples	10		
7.	Contract design for bio-diversity procurement	5		
	<b>Total</b>	<b>42</b>		

The course is reviewed and commented by the following experts.

1. Professor Anjan Mukherji, Centre for Economic Studies and Planning, School of Social Sciences, Jawaharlal Nehru University, New Delhi.
2. Dr Tridip Ray, Indian Statistical Institute, New Delhi.

**Suggested readings**

1. J. Tirole, The theory of Industrial Organization (JT)
2. B. Salanie, The Economics of Contracts
3. P. Bolton & M. Dewatripont, Contract Theory.