

## **Economics 352: Information Economics, Summer I 2006**

**Lecture:** M., W.; 9:30-12:55 a.m. Harriman 116.

**Instructor:** Liu, Zhen, Office Hours: Tuesday 1:20-3:20 p.m., SBS S657  
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**Grader:** Nam Nguyen, Office Hours: Thursday 3:00-4:00 p.m., SBS 6<sup>th</sup> floor lobby.

**Text:** *Understanding information*, a pdf manual by Urs W. Birchler. It will be available on the Blackboard at the beginning of the class.

**Prerequisite:** Since this is a theoretical-oriented course, students should be comfortable with reasoning using mathematic symbols. Knowledge about probability theory is very useful.

**Course Description:** This course will show you how important and interesting it is to understand information in economics. It is important because economics is about decision making, which can not be analyzed without understanding what information the decision makers have. What is more complex is decision makers' different information can be interdependent. Information is also an abstract matter which can not be quantified without certain context. You will see how this topic challenges and attracts contemporary economists.

**Exams:** There will be two midterms and a cumulative final. After the first class, exam dates are not negotiable and as a rule, no make-up exam will be given. If you must miss a midterm for a legitimate reason, you must notify me before the exam and receive permission from me. If you do receive permission, your final will be re-weighted appropriately.

**Midterm 1:** 6-14

**Midterm 2:** 6-28

**Final:** 7-10

**Homework:** Due every Monday. The point is to check how well you learn. Grading is based on your effort, e.g., completing all problems and/or stating meaningful discussion or questions. If you can not hand it in punctually, don't expect partial credit.

**Grades:** Homework: 20%, Two Midterms: 25% each, Final: 30%.

**Special Needs:** If you have special needs or if you have reason to believe that you will have special need for an exam, you should contact the staff at Disabled Student services (DSS), Room 128, Educational Communications Center Building, 632-6748. DSS will review your concerns and determine what accommodations are necessary and appropriate. If you have special needs for an exam, you must notify me in writing of your situation at least one week prior to the affected exam. This notification will allow me to make appropriate arrangement. If you do not do so, it may be difficult or impossible to make special arrangements.

**Calendar:**

	Date	Section	Topic
1	5-31	0. Introduction	The nature of information.
2	6-5	1. Information as an economic good	Demand: The value of information
3	6-7		Supply: The cost of information
4	6-12	2. The market as an information processor	The efficient market hypothesis
5	6-14	3. The information about information	Strategic uncertainty, Common knowledge. Midterm 1.
6	6-19		Coordination
7	6-21		Private vs. public information
8	6-26	4. Asymmetric information: hidden information	The winners' curse and adverse selection
9	6-28		Gaining credibility. Midterm 2.
10	7-3		Give truth a chance
11	7-5	5. Asymmetric information: hidden action	Creating incentives
12	7-10	6. Final exam	