

## Advanced Contract Theory

The aim of this short course is to provide students with tools to analyze optimal contracting in long-lasting relationships, with and without commitment.

We will start from an environment in which people can commit to long term contracts and analyze when these contracts display memory and when they don't. We will analyze both adverse selection models (e.g., durable goods) and moral hazard (e.g., employment relationships with tenure).

Then we will turn to analyze contexts in which there is no commitment. Specifically, we will define the so-called "ratchet effect" and study its implications on information disclosure and effort provision.

Finally, we will analyze contexts where monetary incentives are absent (or limited) and career concerns may discipline agents.

Applications to IO, Banking and Regulation will be proposed.

Reading list:

Laffont and Martimort: *The Principal Agent Model*. Princeton Univ. Press.

Bolton and Dewatripont: *Contract Theory*. MIT Press.