Risk and Information (BA)

Summer 2016

Lecturer: Ao. Prof. Dr. Ana B. Ania
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Lectures: Lectures take place on Mondays from March 7 to June 27 (2016) at 8.00-9.30 in seminar room 13 at Oskar-Morgenstern-Platz 1 (second floor).

ECTS points: 4 ECTS credit points (2 hours) in the Economics Bachelor.

Registration: Online registration.

Prerequisites: Intermediate microeconomics at BA level.

Objectives: In a seminar format we introduce the concepts of risk and imperfect information, as well as the microeconomic tools of analysis in situations of risk. Important applications of decisions under risk in the presence of incomplete or asymmetric information are the market for insurance and auctions. These applications will be taken as illustrations of the main ideas.

Content: In the seminar students should: learn how to formally describe risky outcomes; understand how the shape of utility functions describe attitudes towards risk; be able to evaluate risky outcomes and compute risk premia; understand the incentives to purchase insurance; learn the implications of risk for the properties of market outcomes; distinguish the two types of asymmetric information denominated moral hazard and adverse selection; use decision trees for the analysis of risky decisions; distinguish the different types of auctions.

Methods: The analysis is done using microeconomic tools, basic calculus, and probability theory.

Grading: Students are expected to cover part of the literature on their own, write a short assignment, and give a short presentation on their topic. Presence and active participation in class will also be part of the final grade. The written assignment will account for 40% of the grade, the presentation will account for another 40%, class participation will make the remaining 20%. Students are expected to attend the seminar, more than two unexcused absences will result in zero points for class participation.

References: For an introduction see Besanko and Braeutigam, Microeconomics, Chapter 15.

Materials: Students can access class materials in the Moodle site for this course.
https://moodle.univie.ac.at/course/view.php?id=48992