# Microeconomics

## Prof. Stefano Colombo; Prof. Arianna Galliera

***COURSE AIMS AND INTENDED LEARNING OUTCOMES***

The course covers microeconomic analysis of markets and financial intermediaries, using an approach based on asymmetric information. At the end of the course, students will be able to:

- acquire a good knowledge of the theoretical principles and the analytical methods used to solve moral hazard and adverse selection problems;

- use the key concepts of information asymmetry to understand how markets and financial intermediaries work

***COURSE CONTENT***

Instructional objectives for the course

At the end of the course, the student should be able to respond to theoretical questions and to solve analytical problems about the following topics:

1.Contract theory.

– Principal-agent model with hidden action (moral hazard).

– Principal-agent model with hidden information (adverse selection).

2. Applications.

– Insurance markets.

– The creditor-debtor relationship: costly state verification, risk-taking incentives.

– Financial intermediation:

\* banks and production of information;

\* credit risk and rationing – role of guarantees;

\* liquidity risk and lender of last resort.

***READING LIST***

A. Baglioni, *Informazione e incertezza nella teoria finanziaria,* Hoepli, Milano, 2000.

Material available on the professor's web page

***TEACHING METHOD***

Lectures.

***ASSESSMENT METHOD AND CRITERIA***

Written tests.

***NOTES AND PREREQUISITES***

Course prerequisites

Students taking this course should have a command of the standard analytical tools used in microeconomics over the three-year degree programme. Particularly important are: the theory of individual choices in conditions of uncertainty (expected utility, risk aversion and related measures) and in a strategic framework (Nash equilibrium); the theory of markets in conditions of perfect competition and monopoly.

In case the current Covid-19 health emergency does not allow frontal teaching, remote teaching will be carried out following procedures that will be promptly notified to students.

Further information can be found on the lecturer's webpage at http://docenti.unicatt.it/web/searchByName.do?language=ENG or on the Faculty notice board.