

Course title: Theory of Contracts			
Course code: MPE 156	No. of credits: 4	L-T-P: 49-11-0	Learning hours: 60
Pre-requisite course code and title (if any):			
Department: Department of Policy and Management Studies			
Course coordinator: Prof. Badal Mukhopadhyay		Course instructor: Prof. Badal Mukhopadhyay	
Contact details: badal.mukhopadhyay@terisas.ac.in			
Course type: Elective		Course offered in: Semester 3	
<p><b>Course description</b></p> <p>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 otherwise. Apart from petty purchases and daily grocery every act of exchange involves a contract.</p> <p>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.</p>			
<p><b>Course objectives</b></p> <p>To introduce students to the research of roughly 30 years between 1980 and 2010 in asymmetric information wherein agents' types are not common knowledge. In a labour market the employer has to design a contract accepting which the employee reveals her type, and the employee tries to give a signal (degree, certificate, letter of recommendation, etc.) which convinces the employer of her value. This situation is ruled out by assumption in the classical world of perfect competition. The realism of this model is undeniable.</p>			