



Ph.D. in ECONOMICS – Universities of Milan and Pavia

Microeconomics of asymmetric information

Academic year 2025/26 –Third Term

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Course description: This course is on the central principles and challenges in the economics of asymmetric information. It covers key topics such as moral hazard, adverse selection, and principal–agent dynamics.

Learning objectives: This course examines economic challenges that arise when multiple agents interact while having different levels of information. The course aims to present the foundational models of asymmetric information and demonstrate their usefulness in evaluating how informational imbalances influence agents' incentives, shape the decisions of firms and consumers, and affect relevant economic policies. It also aims to present empirical evidence gathered in experimental economics of asymmetric information.

Learning outcomes: Upon completing this course, students will be familiar with the essential concepts, theoretical frameworks, empirical findings, and policy implications related to asymmetric information.

Course prerequisites: Basic knowledge of game theory

Course organization: 20 hours of lectures

Course assessment: A term paper and an oral presentation of the term paper



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Syllabus

Topics covered in the class include adverse selection, market for lemons, signaling games, moral hazard, principal–agent problem and optimal contract design, cheap talk, deception games and lying games. We will discuss both the theoretical models and findings from experimental economics.

References

Akerlof, G. A. (1970). The Market for “Lemons”: Quality Uncertainty and the Market Mechanism. *The Quarterly Journal of Economics*, 84(3), 488–500.

Crawford, V. P., & Sobel, J. (1982). Strategic Information Transmission. *Econometrica*, 50(6), 1431–1451.

Gneezy, U. (2005). Deception: The Role of Consequences. *American Economic Review*, 95(1), 384–394.

Gneezy, U., Kajackaite, A., Sobel, J. (2018). Lying Aversion and the Size of the Lie. *American Economic Review*, 108(2), 419–453.