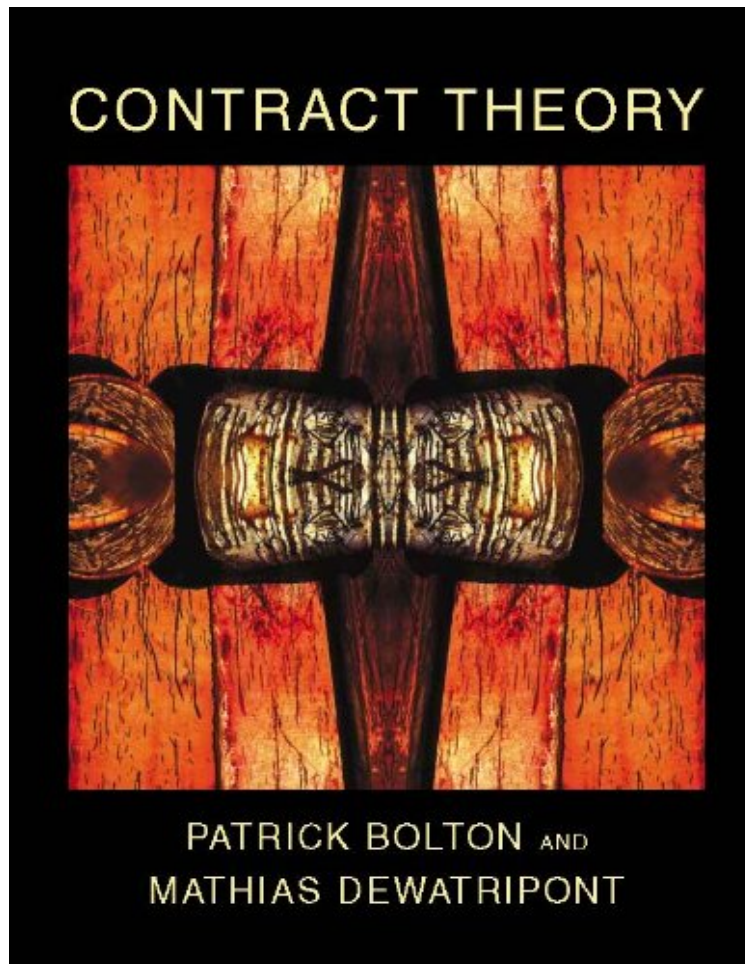


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## Contract Theory (MIT Press)

*Patrick Bolton, Mathias Dewatripont*  
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**Patrick Bolton, Mathias Dewatripont : Contract Theory (MIT Press)** before purchasing it in order to gauge whether or not it would be worth my time, and all praised Contract Theory (MIT Press):

0 of 0 people found the following review helpful. Five StarsBy Customernice book~5 of 12 people found the following review helpful. This is not a good book to study contract theoryBy Ronan ZhangAfter skimming over this book and reading through some of its chapters, I have to say that it is not a good book for PhD students to study contract theory. Generally speaking, the authors failed to provide a clear explanation of a certain concept before they move hastily into the model analysis in most of the chapters. I do not doubt that they really had a mastery of these concepts, but I often can not get a clear picture of what the problem they talk about in certain chapter is.64 of 66 people found the following review helpful. The Best Book on Contract TheoryBy Sameer MathurWe used selected parts of a preview version of this book at Carnegie Mellon in Fall 2004. This book is the best - better than Salanie's primer, which I am familiar with in depth and also better than Laffont's Theory of Incentives, which I am familiar with in parts.The authors do a brilliant job of synthesizing hard to read Econometrica, JET, AER, QJE, articles down to key

insights and manageable proportions. They present results in a manner a graduate student can have a shot at understanding. They discuss the expected topics - Adverse Selection and Moral Hazard; Screening, Signaling, Auctions. They do a particularly good job of explaining Adverse Selection and Moral Hazard in a dynamic framework. This is hard material, certainly not trivial reading. You need some prior background in Microeconomic Theory of the level of Mas Collé / Reny and Jehle / Kreps and Game Theory of the level of Osborne Rubenstein / Fudenberg Tirole. You also need to be a self-absorbed academic - ideally an enthusiastic and masochistic graduate student in Economics or closely related discipline. None of these books are of any damned use in the "real" world.

Despite the vast research literature on topics relating to contract theory, only a few of the field's core ideas are covered in microeconomics textbooks. This long-awaited book fills the need for a comprehensive textbook on contract theory suitable for use at the graduate and advanced undergraduate levels. It covers the areas of agency theory, information economics, and organization theory, highlighting common themes and methodologies and presenting the main ideas in an accessible way. It also presents many applications in all areas of economics, especially labor economics, industrial organization, and corporate finance. The book emphasizes applications rather than general theorems while providing self-contained, intuitive treatment of the simple models analyzed. In this way, it can also serve as a reference for researchers interested in building contract-theoretic models in applied contexts. The book covers all the major topics in contract theory taught in most graduate courses. It begins by discussing such basic ideas in incentive and information theory as screening, signaling, and moral hazard. Subsequent sections treat multilateral contracting with private information or hidden actions, covering auction theory, bilateral trade under private information, and the theory of the internal organization of firms; long-term contracts with private information or hidden actions; and incomplete contracts, the theory of ownership and control, and contracting with externalities. Each chapter ends with a guide to the relevant literature. Exercises appear in a separate chapter at the end of the book.

An extremely impressive synthesis of the ideas that make up modern contract theory. It will undoubtedly be the definitive text on the topic for many years to come. (Oliver Hart, Andrew E. Furer Professor of Economics, Harvard University) Written by two pioneers in organizational economics and finance, this remarkable textbook is comprehensive yet accessible. For many years to come it will be a standard reference for students and researchers, from those advancing our empirical and theoretical knowledge in the field to scholars working in macroeconomics, industrial economics, economics and psychology, and other fields in which contract theory has become an important tool. (Jean Tirole, Institut d'Economie Industrielle, Toulouse) Contract Theory provides the framework for understanding an enormous variety of economic phenomena, from insurance to the firm. Bolton and Dewatripont have long been leading architects of the theory and its application. What is remarkable about their text is how beautifully simple they make it all seem. (Eric S. Maskin, A.O Hirschman Professor of Social Science, Institute for Advanced Study) This is a masterful summary of the last 30 years of economic research on contract theory, written in clear and accessible prose. (Hal Varian, Haas School of Business and Department of Economics, University of California, Berkeley) This much-anticipated book on contract theory by two of the field's pioneers will fill a critical hole in graduate economics teaching. The authors have put much thought into synthesizing established ideas in a way that brings the research frontier up close. Comprehensive and rigorous, yet accessible, the book is bound to become the standard text in intermediate and advanced graduate courses on contract theory. (Bengt Holmstrom, Paul A. Samuelson Professor of Economics, MIT) Contract Theory is certainly the most important textbook on the frontiers of microeconomics since Tirole's celebrated Theory of Industrial Organization. Bolton and Dewatripont have done a marvelous job of providing an exhaustive account of the field, using only very simple and self-contained models and relying on a whole battery of economic applications. All this contributes to making the book not only the unavoidable teaching and research reference on contract theory, but also a unique tribute to economics at its best. (Philippe Aghion, Department of Economics, Harvard University) This is as edifying a course on contract theory as a primer could ever hope to be -- the little book that could. (Bengt Holmstrom, Paul A. Samuelson Professor of Economics, MIT) From the Inside Flap "An extremely impressive synthesis of the ideas that make up modern contract theory. It will undoubtedly be the definitive text on the topic for many years to come." --Oliver Hart, Andrew E. Furer Professor of Economics, Harvard University "This is a masterful summary of the last 30 years of economic research on contract theory, written in clear and accessible prose." --Hal Varian, Haas School of Business and Department of Economics, University of California, Berkeley "\*Contract Theory\* is certainly the most important textbook on the frontiers of microeconomics since Tirole's celebrated \*Theory of Industrial Organization\*. Bolton and Dewatripont have done a marvelous job of providing an exhaustive account of the field, using only very simple and self-contained models and relying on a whole battery of economic applications. All this contributes to making the book not only the unavoidable teaching and research reference on contract theory, but also a unique tribute to economics at its best." --Philippe Aghion, Department of Economics, Harvard University About the Author Patrick Bolton is John H. Scully Professor of Finance at Princeton University and managing editor of The Journal of the European Economic Association. Mathias Dewatripont is Professor at the Université de Bruxelles, a Research Fellow at its European Centre for

Advanced Research in Economics and Statistics (ECARES), and Research Director of the London-based Centre for Economic Policy Research (CEPR).