The Theory Of Incentives The Principal Agent Model By

This thesis explores models of procurement, franchising and innovation through the lens of the theory of incentives. Chapter 2 examines the influence of type-dependent reservation utility on the optimality of linear contracts in a Principal-Agent model of procurement. Type-dependency of reservation utility, combined with the requirements of individual rationality and incentive compatibility in the principal's contracts induces a countervailing incentive effect, the strength of which depends on an index of quality or degree of competition that the agent would face in a private market. The results show how the curvature of the reservation utility dictates whether the optimal contracts can be implemented with a menu of linear contracts, and how the magnitude of the private market index influences the net-transfer rule.

At the Fourth World Congress of the Econometric Society, a number of Symposia were held at which invited papers were given. The purpose of these Symposia was to survey as completely as possible those areas in Economic Theory and Econometrics where important research had come to light during the last few years. This volume includes papers delivered at the Congress.

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The biopharmaceutical industry has been a major driver of technological change in health care, producing unprecedented benefits for patients, cost challenges for payers, and profits for shareholders. As consumers and companies benefit from access to new drugs, policymakers around the globe seek mechanisms to control prices and expenditures commensurate with value. More recently the 1990s productivity boom of new products has turned into a productivity bust, with fewer and more modest innovations, and flat or declining revenues for innovative firms as generics replace their former blockbuster products. This timely volume examines the economics of the biopharmaceutical industry, with eighteen chapters by leading academic health economists. Part one examines the economics of biopharmaceutical innovation including determinants of the costs and returns to new drug development; how capital markets finance R&D and how costs of financing the biopharmaceutical industry compare to financing costs for other industries; the effects of safety and efficacy regulation by the Food and Drug Administration (FDA) and of price and reimbursement regulation on incentives for innovation; and the role of patents and regulatory exclusivities. Part two examines the market for biopharmaceuticals with chapters on prices and reimbursement in the US, the EU, and other industrialized countries, and in developing countries. It looks at the optimal design of insurance for drugs and the effects of cost sharing on spending and on health outcomes; how to measure the value of pharmaceuticals using pharmacoeconomics, including theory, practical challenges, and policy issues; how to measure pharmaceutical price growth over time and recent evidence; empirical evidence on the value of pharmaceuticals in terms of health outcomes; promotion of pharmaceuticals to physicians and consumers; the economics of vaccines; and a review of the evidence on effects of mergers, acquisitions and alliances. Each chapter summarizes the latest insights from theory and recent empirical evidence, and outlines important unanswered questions and areas for future research. Based on solid economics, it is nevertheless written in terms accessible to the general reader. The book is thus recommended reading for academic economists and non-economists, and for those in industry and policy who wish to understand the economics of this fascinating industry.

The economic protection of the quality of the environment took shape properly in the middle of the 20th Century when various economic instruments were proposed to policymakers. Today, protecting the environment is essential, as evidenced in the rise in temperatures, the melting of the icecaps, the disappearance of animal species, etc. Moreover, with recent advances in other disciplines (notably in psychology), economists are turning more and more towards non-monetary forms of incentive. However, questions concerning the effectiveness of these forms arise. Incentives and Environmental Policies deals with the role of the economy in protecting the environment by revisiting traditional economic instruments and pursuing an advanced consideration of the role of new forms of incentive. It appears that, in order to strive towards the best possible environmental quality, policymakers will have to take into account the future of many combinations of socially acceptable incentives.

In recent years there have been increasing efforts to use accountability systems based on large-scale tests of students as a mechanism for improving student achievement. The federal No Child Left Behind Act (NCLB) is a prominent example of such an effort, but it is only the continuation of a steady trend toward greater test-based accountability in education that has been going on for decades. Over time, such accountability systems included ever-stronger incentives to motivate school administrators, teachers, and students to perform better. Incentives and Test-Based Accountability in Education reviews and synthesizes relevant research from economics, psychology, education, and related fields about how incentives work in educational accountability systems. The book helps identify circumstances in which test-based incentives may have a positive or a negative impact on student learning and offers recommendations for how to improve current test-based accountability policies. The most important directions for further research are also highlighted. For the first time, research and theory on incentives from the fields of economics, psychology, and educational measurement have all been pulled together and synthesized. Incentives and Test-Based Accountability in Education will inform people about the motivation of educators and students and inform policy discussions about NCLB and state accountability systems. Education researchers, K-12 school administrators and teachers, as well as graduate students studying education policy and educational measurement will use this book to learn more about the motivation of educators and students. Education policy makers at all levels of government will rely on this book to inform policy discussions about NCLB and state accountability systems.

Economics has much to do with incentives--not least, incentives to work hard, to produce quality products, to study, to invest, and to save. Although Adam Smith amply confirmed this more than two hundred years ago in his analysis of sharecropping contracts, only in recent decades has a theory begun to emerge to place the topic at the heart of economic thinking. In this book, Jean-Jacques Laffont and David Martimort present the most thorough yet accessible introduction to incentives theory to date. Central to this theory is a simple question as pivotal to modern-day management as it is to economics research: What makes people act in a particular way in an economic or business situation? In seeking an answer, the authors provide the methodological tools to design institutions that can ensure good incentives for economic agents. This book focuses on the principal-agent model, the "simple" situation where a principal, or company, delegates a task to a single agent through a contract--the essence of management and contract theory. How does the owner or manager of a firm align the objectives of its various members to maximize profits? Following a brief historical overview showing how the problem of incentives has come to the fore in the past two centuries, the authors devote the bulk of their work to exploring principal-agent models and various extensions thereof in light of three types of information problems: adverse selection, moral hazard, and non-verifiability. Offering an unprecedented look at a subject vital to industrial organization, labor economics, and behavioral economics, this book is set to become the definitive resource for students, researchers, and others who might find themselves pondering what contracts, and the incentives they embody, are really all about.

The economics of intellectual property and R&D incentives explained in a balanced, accessible mixture of institutional details and theory.

Self-determination theory is a theory of human motivation that is being increasingly used by organizations to make strategic HR decisions and train managers. It argues for a focus on the quality of workers' motivation over quantity. Motivation that is based on meaning and interest is showed to be superior to motivation that is based on pressure and rewards. Work environments that make workers feel competent, autonomous, and related to others foster the right type of motivation, goals, and work values. The Oxford Handbook of Work Motivation, Engagement, and Self-Determination Theory aims to give current and future organizational researchers ideas for future research using self-determination theory as a framework, and to give practitioners ideas on how to adjust their programs and practices using self-determination theory principles. The book brings together self-determination theory experts and organizational psychology experts to talk about past and future applications of the theory to the field of organizational psychology. The book covers a wide range of topics, including: how to bring about commitment, engagement, and passion in the workplace; how to manage stress, health, emotions and violence at work; how to encourage safe and sustainable behavior in organizations; how factors like attachment styles, self-esteem, person-environment fit, job design, leadership, compensation, and training affect work motivation; and how work-related values and goals are forged by the work environment and affect work outcomes.

The class is theory of price regulation assumed that the regulator knows the fIrm's costs, the key piece of information that enables regulators to pressure fmns to choose appropriate behaviors. The "regulatory problem" was reduced to a mere pricing problem: the regulator's goal was to align price with marginal cost, subject to the constraint that revenues must cover costs. Elegant and important insights ensued. The most important was that regulation was inevitably a struggle to achieve second-best outcomes. (Ramsey pricing was a splendid example.) Reality proved harsh to regulatory theory. The fmn's costs are by no means known to the regulator. At best, the regulator may know how much is currently spent to provide services, but hardly what costs would be if the fmn vigorously pursued effIciency. Even if the current cost curve were known to the regulator, technologies change so swiftly that today's costs are a very poor indicator of tomorrow's, and those are the costs that will determine the fIrm's future decisions. With the burgeoning attention to information considerations and game theory in economics, the regulator's problem of eliciting host information about cost has received considerable attention. In most cases, however, it has been in context that are both static and stylized; such analyses rarely capture many of the essential elements of real world regulatory issues. This volume represents a fresh approach. It reflects Glenn Blackmon's twin strengths, a keen analytic mind and important experience in the regulatory arena.

This comprehensive two-volume research collection recaps major literary contributions to the economic theory of incentives. The carefully selected papers spanning forty years analyse and review collective decision problems in the context of asymmetric information, moral hazard and incomplete contracting. Together with an original introduction by the editor, this collection would be a valuable addition to the bookshelves of any serious scholar and student in the field.

This book presents some of Zoltán J. Ács' most important contributions since the turn of the new millennium, with a particular intellectual focus on knowledge spillover entrepreneurship. It studies the evolution of global entrepreneurship and pays attention to the role of institutions and the incentives they create for economic agents who become either productive or unproductive entrepreneurs. For productive entrepreneurs, those that create wealth for themselves and for society, the author offers a knowledge spillover theory of entrepreneurship as a new way to help understand the entrepreneurial ecosystem. For those that create wealth only for themselves the author develops a theory of destructive entrepreneurship that undermines the entrepreneurial ecosystem. The book also presents an explanation of the role of philanthropy in reconstituting wealth to complete the circuits of capital in the theory of capitalist development. Finally, the author examines several public policy issues including immigration and technology transfer. This volume will be required reading for students and scholars of entrepreneurship, economics and public policy.

Agency Theory is a new branch of economics which focusses on the roles of information and of incentives when individuals cooperate with respect to the utilisation of resources. Basic approaches are coming from microeco nomic theory as well as from risk analysis. Among the broad variety of ap plications are: the many designs of contractual arrangements, organiza tions, and institutions as well as the manifold aspects of the separation of ownership and control so fundamental for business finance. After some twenty years of intensive research in the field of information economics it might be timely to present the most basic issues, questions, models, and applications. This volume Agency Theory, Information, and Incentives offers introductory surveys as well as results of individual rese arch that seem to shape that field of information economics appropriately. Some 30 authors were invited to present their subjects in such a way that students could easily become acquainted with the main ideas of informa tion economics. So the aim of Agency Theory, Information, and Incentives is to introduce students at an intermediate level and to accompany their work in classes on microeconomics, information economics, organization, management theory, and business finance. The topics selected form the eight sections of the book: 1. Agency Theory and Risk Sharing 2. Information and Incentives 3. Capital Markets and Moral Hazard 4. Financial Contracting and Dividends 5. External Accounting and Auditing 6. Coordination in Groups 7. Property Rights and Fairness 8. Agency Costs.

The economics of asymmetric information has been the most important new tool of economic analysis and has proved powerful in explaining many aspects of the functioning of the economy. This anthology brings together every major paper in the field.

'Economists owe a great debt to Ekelund and Price for making us aware of Edwin Chadwick's seminal contributions. Chadwick lived in the middle of the 19th century, but he anticipated many of the theoretical and practical advances that culminated in the law and economics revolution of the late 20th century. These include Coase's analysis of social cost and Demsetz's proposal for franchise bidding in natural monopolies. Read the summary of Chadwick's ideas about railroads and consider that Britain adopted many of them but only more than a century later (while the US continues to wallow in ignorance). The book is full of similar examples where Chadwick's prescience is extraordinary. Economists, legal scholars and practitioners, especially those working at the intersection of law and economics, will want to read this book.' – Sam Peltzman, University of Chicago, US Sir Edwin Chadwick (1800–1890) is hardly a household name among economists, although he is a well-known hero to sanitation engineers and utilitarian social reformers. His brilliant and cunning ideas relating to contemporary economic policy are illuminated for the first time in this pioneering study. The authors detail Chadwick's sophisticated conceptions of moral hazard, common pool problems, asymmetric information, and theory of competition, all of which differ starkly from those promulgated by Adam Smith and other classical economists. Also examined are Chadwick's views on government versus market role in dealing with problems created by natural monopoly, and whether some or all market problems justify government regulation or alterations of property rights. The authors investigate Chadwick's utilitarian approach to labor, business cycles, and economic growth, contrasting his modern view with those of his classical economic contemporaries. Chadwick's enormous output and cutting-edge methods undoubtedly establish him as an original and trenchant thinker in economic matters as well as a prophetic voice on contemporary issues in economics. This unique look at his less familiar research will interest academic regulatory economists, sociologists, students and scholars of law and economics, and all those interested in the fundamentals of social reform.

The intellectual underpinning of much contemporary executive pay practice is to be found in agency theory, made famous by various scholars in the 1970s. Yet standard agency theory has been found wanting in various respect and has been criticised for supporting pay practices which may have contributed to the financial crisis. The Economic Psychology of Incentives proposes a revised theory of agency, drawing on ideas from behavioural economics and built on more robust assumptions about human behaviour than the standard principal-agent model. Incorporating evidence from a unique empirical study of executives from around the world, the book explains the mechanisms which link the performance of an individual senior executive, the performance of other executives who are part of the same top-management team, and corporate performance. The book proposes new design principles for executive pay, but also explains the difficulties in changing current executive pay practices.

Should the idea of economic man—the amoral and self-interested Homo economicus—determine how we expect people to respond to monetary rewards, punishments, and other incentives? Samuel Bowles answers with a resounding “no.” Policies that follow from this paradigm, he shows, may “crowd out” ethical and generous motives and thus backfire. But incentives per se are not really the culprit. Bowles shows that crowding out occurs when the message conveyed by fines and rewards is that self-interest is expected, that the employer thinks the workforce is lazy, or that the citizen cannot otherwise be trusted to contribute to the public good. Using historical and recent case studies as well as behavioral experiments, Bowles shows how well-designed incentives can crowd in the civic motives on which good governance depends.

This book examines incentives at work to see how and how well coordination is achieved by motivating individual decision makers.

Motivation is one of the foremost driving forces of human nature. Its what puts us at the edge of every action and activity; it is the sole driving force that keeps us to moving forward in our journey to live and write our own story of life. It might seem philosophical in the beginning, and yet its motivation alone that wakes us up every day, keeps us alive every minute we exist, prompts us to complete our daily tasks and ultimately aim for a higher and a better of living. We have it inside of us and everybody is possessed with it. Indeed, several socio-political and economic issues and disasters that we observe often, can actually be very much related to a lack of motivation among people’s lives. Motivation can thus be equated as a synonym for ‘morale’. Ever since the beginning of time, motivation has always been with us. Its what led our earliest ancestors to stay alive in spite of numerous hardships that existed back then, prompted them to ‘get the hunt in time’ and made sure that groups never faded away. Motivation has been the prime factor behind every individual we remember today! Einstein invented the theory of relativity and everything scientists have been able to know of the universe because he was motivated to discover things nobody had done so before, with passion and energy. Human civilisation is in itself a by-product of motivated spirits; the inherent thirst to keep moving forward that has allowed humans as a species to test the forces of time.

Economics Has Much To Do With Incentives Not Least, Incentives To Work Hard, To Produce Quality Products, To Study, To Invest, And To Save. Although Adam Smith Amply Confirmed This More Than Two Hundred Years Ago In His Analysis Of Sharecropping Contracts, Only In Recent Decades Has A Theory Begun To Emerge To Place The Topic At The Heart Of Economic Thinking. In This Book, Jean-Jacques Laffont And David Martimort Present The Most Thorough Yet Accessible Introduction To Incentives Theory To Date. Central To This Theory Is A Simple Question As Pivotal To Modern-Day Management As It Is To Economics Research: What Makes People Act In A Particular Way In An Economic Or Business Situation? In Seeking An Answer, The Authors Provide The Methodological Tools To Design Institutions That Can Ensure Good Incentives For Economic Agents.This Book Focuses On The Principal-Agent Model, The Simple Situation Where A Principal, Or Company, Delegates A Task To A Single Agent Through A Contract The Essence Of Management And Contract Theory. How Does The Owner Or Manager Of A Firm Align The Objectives Of Its Various Members To Maximize Profits? Following A Brief Historical Overview Showing How The Problem Of Incentives Has Come To The Fore In The Past Two Centuries, The Authors Devote The Bulk Of Their Work To Exploring Principal-Agent Models And Various Extensions Thereof In Light Of Three Types Of Information Problems: Adverse Selection, Moral Hazard, And Non-Verifiability. Offering An Unprecedented Look At A Subject Vital To Industrial Organization, Labor Economics, And Behavioral Economics, This Book Is Set To Become The Definitive Resource For Students, Researchers, And Others Who Might Find Themselves Pondering What Contracts, And The Incentives They Embody, Are Really All About.This Special Low-Priced Edition Is For Sale In India, Bangladesh, Bhutan, Maldives, Nepal, Myanmar, Pakistan And Sri Lanka Only.

The legitimate and illegitimate use of incentives in society today Incentives can be found everywhere—in schools, businesses, factories, and government—influencing people's choices about almost everything, from financial decisions and tobacco use to exercise and child rearing. So long as people have a choice, incentives seem innocuous. But Strings Attached demonstrates that when incentives are viewed as a kind of power rather than as a form of exchange, many ethical questions arise: How do incentives affect character and institutional culture? Can incentives be manipulative or exploitative, even if people are free to refuse them? What are the responsibilities of the powerful in using incentives? Ruth Grant shows that, like all other forms of power, incentives can be subject to abuse, and she identifies their legitimate and illegitimate uses. Grant offers a history of the growth of incentives in early twentieth-century America, identifies standards for judging incentives, and examines incentives in four areas—plea bargaining, recruiting medical research subjects, International Monetary Fund loan conditions, and motivating students. In every case, the analysis of incentives in terms of power yields strikingly different and more complex judgments than an analysis that views incentives as trades, in which the desired behavior is freely exchanged for the incentives offered. Challenging the role and function of incentives in a democracy, Strings Attached questions whether the penchant for constant incentivizing undermines active, autonomous citizenship. Readers of this book are sure to view the ethics of incentives in a new light.

Based on their work in the application of principal-agent theory to questions of regulation, Laffont and Tirole develop a synthetic approach to this field, focusing on the regulation of natural monopolies such as military contractors, utility companies and transportation authorities.

Bartik provides a clear and concise overview of how state and local governments employ economic development incentives in order to lure companies to set up shop—and provide new jobs—in needy local labor markets. He shows that many such incentive offers are wasteful and he provides guidance, based on decades of research, on how to improve these programs.

Discusses risk and economic uncertainty, the theory of contingent markets, model systems of incomplete markets, and the use of the stock market and insurance to share risk

The book argues that by relying on moral incentives it is possible, in principle, to separate the organizational advantages of the market from its distributional disadvantages. In theory, we can imagine a politico-economic system that distributes income equally (or on some other principle) but has all the efficiency characteristics of a capitalist market system. This shows that the market can provide an institutional mechanism for realizing ideals of distributive justice. The book provides a theoretical model of the system, identifying its requirements. It then offers arguments from empirical social science about why the model should work under appropriate conditions.

Behavioral Public Economics shows how standard public economics can be improved using insights from behavioral economics. Public economics typically lists four market failures that may justify government intervention in markets—imperfect competition (or natural monopoly), externalities, public goods, and asymmetric information. Under the rational choice paradigm (‘agents choose what is best for them’), public economics has examined the welfare effects of policy. Recent research in behavioral economics highlights a fifth market failure—individuals may make mistakes in pursuing their own well-being. This book calls for a rethinking of assumptions of individual behavior and provides a good foundation for public economic theory. Key features: Introduces behavioral perspectives into public economics. Explains why economic incentives often undermine social preferences. Reveals that social incentives matter for public policy. This book will be an invaluable resource for researchers and postgraduate students in public economics, behavioral economics, and public policy.

Social Incentives: A Life-Span Developmental Approach presents a developmental perspective about universal social goals, one that provides an examination of human motivation over the life span. The book aims to discover the kind of goals people display in their interactions with one another, how to understand them, how are they acquired, and how do they help in understanding human social behavior. Discussions on the theory of social incentives from the point of view of developmental psychology; social motivations during the different stages of life; and the socialization process based on a life-span developmental model of social motivation brings us closer to understanding the topic. Social and developmental psychologists, motivational experts, and clinicians will find the text invaluable.

A vast body of empirical evidence has accumulated demonstrating that incentives affect health care choices made by both consumers and suppliers of health care services. Decisions in health care are affected by many types of incentives, such as the rate of return pharmaceutical manufacturers expect on their investments in research and development, or disincentives, such as increases in copayments patients must make when they visit physicians or are admitted to hospitals. In this volume, leading scholars in health economics review these new and important results and describe their own recent research assessing the role of incentives in health care markets and decisions people make that affect their personal health. The contexts include demand decisions -- choices made by individuals about health care services they consume and the health insurance policies they purchase -- and supply decisions made by medical students, practicing physicians, hospitals, and pharmaceutical manufacturers. Researchers and students of health economics and policy makers will find this book a valuable resource, both for learning economic concepts, particularly as they apply to health care, and for reading up-to-date summaries of the empirical evidence. General readers will find the book's chapters accessible, interesting, and useful for gaining an understanding of the likely effects of alternative health care policies. ContributorsHenry J. Aaron, Ernst R. Berndt, John Cawley, Julie M. Donohue, Donna Gilleskie, Brian R. Golden, Gautam Gowrisankaran, Chee-Ruey Hsieh, Hirschel Kasper, Thomas G. McGuire, Joseph P. Newhouse, Sean Nicholson, Mark V. Pauly, Anna D. Sinaiko, Frank Sloan

This volume brings together published and unpublished but seminal work in welfare, development, and public sector economics, providing an overview of much of the author's work.

?This book contributes to the current discussion in society, politics and higher education on innovation capacity and the financial and non-financial incentives for researchers. The expert contributions in the book deal with implementation of incentive systems at higher education institutions in order to foster innovation. On the other hand, the book also discusses the extent to which governance structures from economy can be transferred to universities and how scientific performance can be measured and evaluated. This book is essential for decision-makers in knowledge-intensive organizations and higher-educational institutions dealing with the topic of performance management.

These contributions discuss a number of important developments over the past decade in a newly established and important field of economics that have led to notable changes in views on governmental competition policies. They focus on the nature and role of competition and other determinants of market structures, such as numbers of firms and barriers to entry; other factors which determine the effective degree of competition in the market; the influence of major firms (especially when these pursue objectives other than profit maximization); and decentralization and coordination under control relationships other than markets and hierarchies. The contributors are Joseph E. Stiglitz, G. C. Archibald, B. C. Eaton, R. G. Lipsey, David Enaoua, Paul Geroski, Alexis Jacquemin, Richard J. Gilbert, Reinhard Selten, Oliver E. Williamson, Jerry R. Green, G. Frank Mathewson, R. A. Winter, C. d'Aspremont, J. Jaskold Gabszewicz, Steven Salop, Branko Horvat, Z. Roman, W. J. Baumol, J. C. Panzar, R. D. Willig, Richard Schmalensee, Richard Nelson, Michael Scence, and Partha Dasgupta. Joseph E. Stiglitz is Professor of Economics at Princeton University. G. Frank Mathewson is Professor of Economics at the University of Toronto.

Innovation, in economic activity, in managerial concepts and in engineering design, results from creative activities, entrepreneurial strategies and the business climate. Innovation leads to

technological, organizational and commercial changes, due to the relationships between enterprises, public institutions and civil society organizations. These innovation networks create new knowledge and contribute to the dissemination of new socio-economic and technological models, through new production and marketing methods. Innovation Economics, Engineering and Management Handbook 1 is the first of the two volumes that comprise this book. The main objectives across both volumes are to study the innovation processes in todayÂs information and knowledge society; to analyze how links between research and business have intensified; and to discuss the methods by which innovation emerges and is managed by firms, not only from a local perspective but also a global one. The studies presented in these two volumes contribute toward an understanding of the systemic nature of innovations and enable reflection on their potential applications, in order to think about the meaning of growth and prosperity.
Mainstream economics has recognized only recently the necessity to incorporate political constraints into economic analysis intended for policy advisors. Incentives and Political Economy uses recent advances in contract theory to build a normative approach to constitutional design in economic environments.The first part of the book remains in the tradition of benevolent constitutional design with complete contracting. It treats politicians as informed supervisors and studies how the Constitution should control them, in particular to avoid capture by interest groups. Incentive theories for the separation of powers or systems of checks and balances are developed.The second part of the book recognises the incompleteness of the constitutional contract which leaves discretion to the politicans selected by the electoral process. Asymmetric information associates information rents with economic policies and the political game becomes a game of costly redistribution of those rents. Professor Laffont investigates the trade-offs between an inflexible constitution which leaves little discretion to politicians but sacrifices ex post efficiency and a constitutionweighted towards ex post efficiency but also giving considerable discretion to politicians to pursue private agendas.The final part of the book reconsiders the modeling of collusion given asymmetric information. It proposes a new approach to characterizing incentives constraints for group behaviour when asymmetric information is non-verifiable. This provides a methodology to characterise the optimal constitutional response to activities of interest groups and to study the design of any institution in which group behavior is important.
This book in microeconomics focuses on the strategic analysis of markets under imperfect competition, incomplete information, and incentives. Part I of the book covers imperfect competition, from monopoly and regulation to the strategic analysis of oligopolistic markets. Part II explains the analytics of risk, stochastic dominance, and risk aversion, supplemented with a variety of applications from different areas in economics. Part III focuses on markets and incentives under incomplete information, including a comprehensive introduction to the theory of auctions, which plays an important role in modern economics.