

Incentive problems with flexible actions

In many economic situations, agents take actions that result in stochastic outcomes. Examples include the classical moral hazard problem where a worker chooses effort resulting in stochastic output, or the acquisition of information that results in a stochastic signal. In this topics course, we discuss a literature which adopts a flexible model of such actions by assuming that agents can choose any distribution over the set of outcomes, often subject to a cost.

Literature (tbc)

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Ravid, Doron, Anne-Katrin Roesler, and Balázs Szentes. Learning before trading: on the inefficiency of ignoring free information. *Journal of Political Economy* 130.2 (2022): 346-387.

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Background reading

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