

UNSOLVED EXERCISES

1. What problems of moral hazard and/or adverse selection arise in your dealings with each of the following? In each case, outline some appropriate incentive schemes and/or signaling and screening strategies to cope with these problems. No mathematical analysis is expected, but you should state clearly the economic reasoning underlying your suggested strategies.
 1. Your financial adviser tells you what stocks to buy or sell.
 2. You consult a real-estate agent when you are selling your house.
 3. You visit your doctor, whether for routine checkups or treatments.