



Contract Theory in Continuous-Time Models

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Condition: New. Publisher/Verlag: Springer, Berlin | There has been increased interest in continuous-time Principal-Agent models and their applications. This monograph surveys results of the theory using the approach of the so-called Stochastic Maximum Principle, in models driven by Brownian Motion. | In recent years there has been a significant increase of interest in continuous-time Principal-Agent models, or contract theory, and their applications. Continuous-time models provide a powerful and elegant framework for solving stochastic optimization problems of finding the optimal contracts between two parties, under various assumptions on the information they have access to, and the effect they have on the underlying "profit/loss" values. This monograph surveys recent results of the theory in a systematic way, using the approach of the so-called Stochastic Maximum Principle, in models driven by Brownian Motion. Optimal contracts are characterized via a system of Forward-Backward Stochastic Differential Equations. In a number of interesting special cases these can be solved explicitly, enabling derivation of many qualitative economic conclusions. | Preface.- PART I Introduction: 1.The Principal-Agent Problem.- 2.Single-Period Examples.- PART II First Best. Risk Sharing under Full Information: 3.Linear Models with Project Selection, and Preview of Results.- 4.The General Risk Sharing Problem.- PART III Second Best. Contracting Under Hidden...



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