

Credence Goods

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Prerequisites:

Some basic knowledge of game theory and experimental economics is helpful.

Schedule:

- Lecture 1: Credence Goods: Introduction and Theory
- Lecture 2: Credence Goods: Experiments
- Lecture 3: Commissions and Kickbacks

Course Description:

Credence goods (i.e., goods or services for which an expert knows better than a customer what specific goods or services the customer needs) such as financial advice, repairs, or healthcare services, are widespread yet under-studied. This course provides a literature overview. The first lecture introduces the basic model and discusses several variations and extensions. The second lecture gives an overview of both laboratory and field experiments about credence goods. Finally, the third lecture zooms in on commissions and kickbacks common in markets for financial advice, with a focus on regulation. In particular, it studies the framework of Inderst and Ottaviani (2012) and its implications.

(Basic) Reading List:

Dulleck, Uwe, and Rudolf Kerschbamer. **On doctors, mechanics, and computer specialists: The economics of credence goods.** *Journal of Economic Literature* 44.1 (2006): 5-42.

Dulleck, Uwe, Rudolf Kerschbamer, and Matthias Sutter. The economics of credence goods: An experiment on the role of liability, verifiability, reputation, and competition. *American Economic Review* 101.2 (2011): 526-55.

Inderst, Roman, and Marco Ottaviani. Competition through commissions and kickbacks. *American Economic Review* 102.2 (2012): 780-809.