

Learning Outcome Statements 101 – Why Contracts Exist

As a contract design student, you should understand and be able to apply the ideas and concepts introduced in the lecture and the corresponding course materials. In particular, you are expected to demonstrate the following skills:

- 1) Outline why contracts (enforceable agreements) exist.
- 2) Explain the relevance of cheap talk when there are no conflicts of interest.
- 3) Describe how the need for contracts relates to spot transactions.
- 4) Outline how contracts facilitate sequential transactions.
- 5) Explain the differences between an ex-ante and an ex-post perspective on contracts.
- 6) Describe when it is beneficial to a party to commit to a future course of action.
- 7) Outline how contracts allow parties to overcome the limitations of cheap talk.
- 8) Explain how the strategic structure of Aesop's fable about the Farmer and the Viper is similar to many contract settings (for instance, when producers consider offering a warranty or inventors contemplate revealing their ideas to venture capitalists).

Ahead of class, we will ask you to take a computer-graded quiz which is designed to test your knowledge of these learning outcomes.

At the beginning of the lecture, Professor Stremitzer will briefly review these learning outcomes. If you have questions regarding the learning outcomes, please ask them during this review in class.