Frequency
Every year

Summary
We study the role of information in equilibrium asset pricing models. We cover simple one-period models of incomplete and asymmetric information using competitive rational expectation equilibria and Bayesian-Nash equilibria. We extend the analysis to dynamic models with heterogeneous beliefs.

Content
1. Introduction
   - Competitive Rational Expectation Equilibrium vs Strategic Bayesian Nash Equilibrium

2. Asymmetric Information / Private Information
   - Informational efficiency - Grossman and Stiglitz (1980): information acquisition and fully revealing equilibrium
   - No trade Theorem - Milgrom and Stokey (1982): information and absence of trade
   - Sequential trading / microstructure - Kyle (1985): informed traders

3. Learning and Heterogenous Beliefs:
   - Dynamic learning / Bayesian filtering: Cecchetti, Lam and Mark (2000): Equilibrium in representative agent models
   - Heterogenous beliefs and equilibrium: Detemple and Murthy (1994)
   - Irrationality / learning (Survival and price impact) - Blume and Easley (2006), Kogan et al. (2006)

Keywords
Information, Asset Pricing.

Assessment methods
Written exam.