



**Universitat
Pompeu Fabra**
Barcelona

Readings in Economic Theory

2022-23- Academic Year

Master of Research in Economics, Finance and Management

- Readings in Economic Theory
 - Total credits: 3 ECTS
 - Type of subject: Elective
 - Department of Economics and Business
 - Coordinator: Alexander Frug
- Code: 32499
Workload: 75 hours
Term: 2

Introduction and Teaching methodology

The main focus of the course will be on models of communication. We will deepen the discussion we began in Advanced Micro III and consider several additional environments of strategic information transmission. We will then discuss selected models on static and dynamic persuasion and information design. We may also discuss additional papers in communication and economic theory more broadly, based on mutual interest and time availability.

The format of the course is aimed to be a composition of frontal lectures and active discussion. The relative weights on the different topics, the selection of specific readings, as well as the general approach of the course will be flexible and depend on time and interest. On top of developing familiarity with the selected topics, the course aims to help to enhance other abilities that are directly related to the academic researcher's work such as self-studying, presentation, refereeing, and orientation in the literature. Some sessions will be devoted, at least in part, to students' presentations. Students will be offered a high degree of freedom in selecting the papers on which they want to lead the discussion in class.

The course is targeted to MRes students who are interested in micro theory and have completed the sequence of Advanced Microeconomics courses in their first year of graduate studies. In particular, the course assumes familiarity with the topics and main ideas discussed in Advanced Microeconomics III.

Evaluation

Each student will be assigned/select two papers. One of the papers will be presented and discussed in class. The other paper, which most likely would be a working paper that has not been published yet, will be refereed by the student. Students will be evaluated based on their active participation, quality and clarity of the presentation, and the referee report.

Contents

The topics we will discuss in class will come, for the most part, from the following list of references (which will be continuously updated before and during the course). We will cover only a fraction of these papers. In addition, in an attempt to be up to date with some of the most recent developments, we will be discussing selected working papers that are currently being presented in seminars and conferences.

- Aumann, Robert J., and Sergiu Hart. "Long cheap talk." *Econometrica* 71.6 (2003): 1619-1660.
- Battaglini, Marco. "Multiple referrals and multidimensional cheap talk." *Econometrica* 70.4 (2002): 1379-1401.
- Bergemann, Dirk, and Stephen Morris. "Bayes correlated equilibrium and the comparison of information structures in games." *Theoretical Economics* 11.2 (2016): 487-522.

- Bergemann, Dirk, and Stephen Morris. "Information design: A unified perspective." *Journal of Economic Literature* 57.1 (2019): 44-95.
- Blume, Andreas, Oliver J. Board, and Kohei Kawamura. "Noisy talk." *Theoretical Economics* 2.4 (2007): 395-440.
- Chakraborty, Archishman, and Rick Harbaugh. "Comparative cheap talk." *Journal of Economic Theory* 132.1 (2007): 70-94.
- Chakraborty, Archishman, and Rick Harbaugh. "Persuasion by cheap talk." *American Economic Review* 100.5 (2010): 2361-82.
- Che, Yeon-Koo, and Navin Kartik. "Opinions as incentives." *Journal of Political Economy* 117.5 (2009): 815-860.
- Chen, Ying. "Perturbed communication games with honest senders and naive receivers." *Journal of Economic Theory* 146.2 (2011): 401-424.
- Chen, Ying, Navin Kartik, and Joel Sobel. "Selecting Cheap-Talk Equilibria." *Econometrica* 76.1 (2008): 117-136.
- Crawford, Vincent P., and Joel Sobel. "Strategic information transmission." *Econometrica*: (1982): 1431-1451.
- Dessein, Wouter. "Authority and communication in organizations." *The Review of Economic Studies* 69.4 (2002): 811-838.
- Dewatripont, Mathias, and Jean Tirole. "Modes of communication." *Journal of Political Economy* 113.6 (2005): 1217-1238.
- Dewatripont, Mathias, and Jean Tirole. "Advocates." *Journal of political economy* 107.1 (1999): 1-39.
- Dziuda, Wioletta. "Strategic argumentation." *Journal of Economic Theory* 146.4 (2011): 1362-97.
- Eliaz, Kfir, and Alexander Frug. "Bilateral trade with strategic gradual learning." *Games and Economic Behavior* 107 (2018): 380-395.
- Ely, Jeffrey C. "Beeps." *American Economic Review* 107.1 (2017): 31-53.
- Ely, Jeffrey, Alexander Frankel, and Emir Kamenica. "Suspense and surprise." *Journal of Political Economy* 123.1 (2015): 215-260.
- Farrell, Joseph. "Meaning and credibility in cheap-talk games." *Games and Economic Behavior* 5.4 (1993): 514-531.
- Frenkel, Sivan. "Repeated interaction and rating inflation: A model of double reputation." *American Economic Journal: Microeconomics* 7.1 (2015): 250-80.
- Frug, Alexander. "Strategic gradual learning and information transmission." *Journal of Economic Theory* 177 (2018): 594-615.
- Gentzkow, Matthew, and Emir Kamenica. "Competition in persuasion." *The Review of Economic Studies* 84.1 (2016): 300-322.
- Glazer, Jacob, and Ariel Rubinstein. "A study in the pragmatics of persuasion: a game theoretical approach." *New perspectives on games and interaction* (2008): 121-140.

- Glazer, Jacob, and Ariel Rubinstein. "On optimal rules of persuasion." *Econometrica* 72.6 (2004): 1715-1736.
- Glazer, Jacob, and Ariel Rubinstein. "A model of persuasion with boundedly rational agents." *Journal of Political Economy* 120.6 (2012): 1057-1082.
- Goltsman, Maria, and Gregory Pavlov. "How to talk to multiple audiences." *Games and Economic Behavior* 72.1 (2011): 100-122.
- Goltsman, Maria, et al. "Mediation, arbitration and negotiation." *Journal of Economic Theory* 144.4 (2009): 1397-1420.
- Grenadier, Steven R., Andrey Malenko, and Nadya Malenko. "Timing decisions in organizations: Communication and authority in a dynamic environment." *American Economic Review* 106.9 (2016): 2552-81.
- Ivanov, Maxim. "Dynamic information revelation in cheap talk." *The BE Journal of Theoretical Economics* 15.2 (2015): 251-275.
- Kamenica, Emir, and Matthew Gentzkow. "Bayesian persuasion." *American Economic Review* 101.6 (2011): 2590-2615.
- Kartik, Navin. "Strategic communication with lying costs." *The Review of Economic Studies* 76.4 (2009): 1359-1395.
- Ke, Rongzhu, Jin Li, and Michael Powell. "Managing careers in organizations." *Journal of Labor Economics* 36.1 (2018): 197-252.
- Krishna, Vijay, and John Morgan. "A model of expertise." *The Quarterly Journal of Economics* 116.2 (2001): 747-775.
- Krishna, Vijay. "Asymmetric information and legislative rules: Some amendments." *American Political Science Review* 95.2 (2001): 435-452.
- Krishna, Vijay, and John Morgan. "The art of conversation: eliciting information from experts through multi-stage communication." *Journal of Economic theory* 117.2 (2004): 147-179.
- Levy, Gilat, and Ronny Razin. "On the limits of communication in multidimensional cheap talk: a comment." *Econometrica* 75.3 (2007): 885-893.