Industrial Organization Theory: Special Topics

Economics 885.05

Fall 2017

Instructor: Tracy Lewis

Location: TBA
Office Hours: By appointment, at Rm. A412, Fuqua School of Business

Description:
This course presents special topics in Industrial Organization Theory and Market Design. It is intended for students interested in applied theory who are seeking to learn about recent developments in IO, Mechanism and Market Design and Policy Games

This year the course provides a selective overview of current work in Market Design and Mechanisms for Social and Economic Programs. Market Design is the study of how to organize markets to achieve efficient allocations of resources. Recent developments, ushered in by the information economy and the emergence of social media, have given rise to new forms of buyer and seller exchanges, such as internet advertising platforms, buyers clubs, on-line auctions and two sided markets. These organizations are designed to make sellers search for buyers and buyers search for products, more efficient.

Mechanisms for Social and Economic Programs is broadly focused on how governments, regulatory institutions, statutory bodies and strategic alliances carry out a variety of tasks. Our attention this term is on economic and political theories of incentives in organizations with applications to law and economics, the formation of economic networks, reform of public welfare, financial markets, and environmental protection. Unlike many micro theory classes, this is not a math tools course, but rather an applied microcon course that surveys advances in mechanism design to address political, economic legal and environmental issues.

Course Organization

This is a seminar and reading course. The class material is presented in six meetings listed below with a tentative reading list of papers that are the basis for presentation in class. An overview of papers listed for each week is provided in class. Students are to read the papers on the syllabus (with asterisks ***") and to complete take home exercises relevant to these papers prior to the class where the papers are discussed. Most of the readings are provided on the course website, enabling students to prepare for class in advance.

Prerequisites, Reference Reading Materials and Lecture Plans:
The prerequisite for the class is a first-year graduate level knowledge of micro-
theory and game theory. The required text, *Fudenberg and Tirole* and recom-
mended references are


*Fudenberg and Tirole, *Game Theory*: MIT Press *(obtain from Duke 
Book Store)*

Gibbons and Roberts: *The Handbook of Organization Economics*, Princeton 
University Press, 2013


Lectures are based on required readings, (marked with an "*" (asterick), sug-
gested readings, (if you want a broader view), and notes to be covered in the 
lecture.

Evaluation

Students will present and analyze one of the assigned readings in class, write a 
first draft of a research paper related to the class material and perform weekly 
take home assignments. Details of the research paper will be provided in class.

Lecture Readings Assignments

Papers assigned for lectures 1-6 are tentative and may change depending on the 
interests of the students. Please note there is no Week 0 Class because I am out 
of town. Complete the Week 0 readings and Assignment 0 in preparation for 
Week 1 Class.

**W0: Aug. 31: Overview of Games of Information**

No class meeting. Do the background reading for Strategic Information Trans-
mission

• Strategic Information Transmission
  
  – *Chpts 6,7 Fudenberg and Tirole
  
  
  – *Sobel, Joel 2008 "Signaling Games" Working Paper
  
  – *Sobel, Joel 2011 "Giving and Receiving Advice"
  
  – *Crawford, Vincent P., and Joel Sobel. 1982."Strategic Information 
    Transmission "Econometrica 50 (6): 1431–51
Delegation and Signaling

- Li and Matouschek "Managing "Conflicts in Relational Contracts," Review of Economic Studies*
- Li, J, N. Matouschek and M. Powell "Power Dynamics in Organizations" American Economic Journal, Microeconomics*

Games of Persuasion


Mechanism Design

- *Fudenberg and Tirole, Chpts: 7 and 8*
Athey, S. and I.Segal (2013)"An Efficient Dynamic Mechanism Econometrica 2463-2485

Global Games and Strategic Uncertainty

Bassetteto, Marco and Chris Phelan, 2008 Tax Riots, Review of Economic Studies
Living in a changing world. Econometrica 69 (1), 163–189
Mathevet,Laurent and Jakub Steiner‡ (2013 "Tractable Dynamic Global Games and Applications" working paper

1Obtain
W1: Sept 7: Overview of Organization Design

- Class notes: Summary of Organizational Design
- Complete Readings:
  - Strategic Information Transmission
  - Delegation and Signaling
  - Cheap Talk and Games of Persuasion

W2–Sept. 14 Mechanism Design

- Class notes: "Dynamic Mechanism Design"
- Complete Readings for Mechanism Design

W3–Sept 21 Global Games and Strategic Uncertainty

- Class notes: "Expectations and Multiple Equilibrium"
- Complete Global Games and Strategic Uncertainty Readings

W4–Sept 28: Strategic Uncertainty and Financial Distress

- Class notes: "Strategic Uncertainty and Financial Collapse"
- Complete Global Games and Strategic Uncertainty Readings

W5–Oct.6

- Class Notes "Strategic Uncertainty and Innovation"
- Complete Global Games and Strategic Uncertainty Readings

W6–Oct.13

- Class Notes" Strategic Uncertainty and Sustainability
- Complete Global Games and Strategic Uncertainty Readings
- Term Project due²

²Assignment to be TBD