Industrial Organization Theory: Special Topics
Economics 885.05
Fall 2018
Instructor: Tracy Lewis

Time: Thurs., 4-7 pm Aug 30–Oct 11
Location: TBA (Fuqua Conference Room # )
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 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 microecon 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 class 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 web site, enabling students to prepare for class in advance.

Prerequisites, Reference Reading Materials and Evaluation
The prerequisite for the class is a first-year graduate level knowledge of micro-
theory and game theory. Students without this background, please consult me
about the possibility of auditing the class. The required text, *Fudenberg and
Tirole*, and recommended references are:


Laffont and Tirole, *A Theory of Incentives in Procurement and Regulation*: 
MIT Press

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

Gibbons and Roberts: *The Handbook of Organization Economics*, Prince-
ton University Press, 2013


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

Students’ will present and analyze one of the assigned readings in class, write an
outline of a research paper related to the class and perform weekly take home 
assignments. Details of the research paper will be provided in class.
Lectures and Readings Assignments

Papers assigned for lectures are tentative and may change depending on the interests of the students. Note, the first class meets Sept. 6, students please do readings for that class the prior week of Aug. 30 –Sept. 6.

September 6: Regulation and Market Design
- Class Notes on Regulation and Mechanism Design
- Readings
  - *Chpts 6,7 Fudenberg and Tirole
  - *Chpts 0-2 Laffont and Tirole

September 13: Organization Theory
- Class Notes on Contracts and Organization Design
- Readings
  - *Chpts (TBA) Gibbons and Roberts: The Handbook of Organization Economics,

September 20: Games of Persuasion
- Class Notes on Contracts and Organization Design
- Readings

September 27: Collective Action Games
- Applications to Intermediation and Investment in Law and Order
- Readings
  - *Sakovics and Steiner 2012,

October 4: Games of Enforcement
- Guest Lecturer (TBA)
- Readings (TBA)
  - *Lewis and Schwartz 2018
  - *Bull and Watson 2017
READING LISTS

• Strategic Information Transmission
  
  
  – Sobel, Joel 2008 "Signaling Games" Working Paper
  
  – Sobel, Joel 2011 "Giving and Receiving Advice"
  
  
• Delegation and Signaling
  
  
  – Alonso,R and N. Matouschek, Optimal Delegation, Review of Economic Studies
  
  
  – 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 and Regulation


- *Laflont and Tirole, Chpts 0-2
- *Fudenberg and Tirole, Chpts: 6, 7

Global Games and Strategic Uncertainty

- *Bull, Jesse and Joel Watson, 2017 "Statistical Evidence and the Problem of Robust Litigation"
- *Lewis, Tracy and Alan Schwartz, 2018 "Securitization"
- Bassetteto, Marco and Chris Phelan, 2008 Tax Riots, Review of Economic Studies
- Mathevet, Laurent and Jakub Steiner† (2013 "Tractable Dynamic Global Games and Applications" working paper)