

Academic Year: ( 2019 / 2020 )

Review date: 04-07-2019

Department assigned to the subject: Department of Economics

Coordinating teacher: FABRA PORTELA, NATALIA

Type: Electives ECTS Credits : 4.0

Year : 2 Semester : 2

**STUDENTS ARE EXPECTED TO HAVE COMPLETED**

Microeconomics I, Microeconomics II and Microeconomics III

**COMPETENCES AND SKILLS THAT WILL BE ACQUIRED AND LEARNING RESULTS.**

The students will get a good background on the Theory of Contests and will be prepared to make research in this topic at the highest level.

**DESCRIPTION OF CONTENTS: PROGRAMME****OUTLINE OF THE COURSE**

Papers marked with a star a classic papers. Papers with an hyphen in front are surveys or recent stuff.

## 1. Contests. Definition of a contest. Examples.

- Corchón, L. (2007). "The theory of contests: a survey". *Review of Economic Design* 11, 69, 100.

## 2. Contest Success Functions. Tullock, Linear, Hirschleifer, All pay auction and others. Microfoundations: Axiomatization. The setting of a single decider. Cooperative foundations.

\* Tullock, G. (1980). "Efficient Rent-Seeking. In J. M. Buchanan, R. D. Tollison and G. Tullock (eds.) *Towards a Theory of a Rent-Seeking Society*, Texas A&M University Press: 97-112.

\* Hillman, A. and Riley, J. (1987). "Politically Contestable Rents and Transfers. *Economics and Politics*, 1, 3, 17-39.

\* Hirschleifer, Jack (1989), "Conflict and Rent-Seeking Success Functions: Ratio vs. Difference Models. *Public Choice* 63, 101,112.

\* Skaperdas, S. (1996): "Contest Success Functions. *Economic Theory* 2, 283-290.

\* Baye, M., Kovenock, D., de Vries, C. (1996). "The all-pay auction with complete information". *Economic Theory*, 8, 2, 291-305.

- Clark, D. and C. Riis (1998): "Contest Success Functions: An Extension. *Economic Theory* 11, 201-204.

- Corchón, L. (2000): "The Allocative Effects of Rent-Seeking." *Journal of Public Economic Theory* 2, 4, 483-491.

- Corchón, L. and M. Dahm (2010). "Foundations for Contest Success Functions". *Economic Theory*, 43, 1 81-98.

- Jia, H., Skaperdas, S., Vaidya, S. (2013). "Contest functions: Theoretical foundations and issues in estimation," *International Journal of Industrial Organization*, 31, 3, 211-222.

- Corchón, L. and C. Beviá (2015). "Relative Difference Contest Success Function". *Theory and Decision*, 78, 377-398, 2015.

## 3. Properties of Equilibrium and Applications. Symmetric Contests:

Existence, comparative statics and uniqueness of equilibrium. Asymmetric Contests: Basic properties in a special case. Applications: Group contests, rent-seeking and economic performance, sabotage. Biology

\* Olson, M. (1965): *The Logic of Collective Action*. Harvard University Press. Chapters 1 and 2.

\* Perez-Castrillo, D. and T. Verdier (1992): "A General Analysis of Rent-Seeking Games. *Public Choice* 73, 335-50.

- E. Glaezer, R. La Porta, F. Silanes and A. Shleifer (2004): "Do Institutions Cause Growth? *Journal of Economic Growth* 9, 271-303.

- Cornes, R., and R. Hartley (2005). "Asymmetric Contests with General Technologies. *Economic Theory* 26, 4, 923-946.

- Beviá, C. and L. Corchón (2006). "Rational Sabotage with Heterogeneous Agents". *Berkeley Electronic J. in Theoretical Econ., Topics*, 6, 1.

- Corchón, L. (2007). "The theory of contests: a survey", op cit.

- Chowdhury, S.M., Gürtler, O. (2015). "Sabotage in Contests: A Survey". *Public Choice*, 164, 1, 135-155.

- Ostreher, R., Pruett-Jones, S., Heifetz, A. (2012) "Asymmetric contests at the nest". Behavioral Ecology and Sociobiology, 66, 9, 1237-1246.

4. Extensions. Centralized vs decentralized contests. Auctions and contests. Entry. Affirmative action. Networks.

- Azmat, G., and Möller, M. (2009). Competition amongst Contests. RAND Journal of Economics, 40, 743-768.

- Yates, A. (2011). "Winner-pay contests". Public Choice, 147, 1, 93-106.

- Brown, J. (2011) "Quitters Never Win: The (Adverse) Incentive Effects of Competing with Superstars". J. of Political Economy 119, 5, 982-1013

- Franke, J. (2012). The Incentive Effects of Leveling the Playing Field: An Empirical Analysis of Amateur Golf Tournaments". Applied Economics 44, 9, 1193-1200.

- Franke, J. (2012). "Affirmative Action in Contest Games". European Journal of Political Economy 28, 1, 105-118.

- Calsamiglia, C., Franke, J., Rey-Biel, P. (2013). "The Incentive Effects of Affirmative Action in a Real Effort Tournament". Journal of Public Economics 15-31.

- Franke, J. and T. Öztürk (2015). Conflict Networks (2015). Journal of Public Economics, 126, 104-113

- Corchón, L., Beviá, C. (2015). "Centralized vs Decentralized Contests". Economics Letters, 137(C), 32-35

5. Welfare Properties of Contests. Welfare losses of monopoly and the Coase theorem in rent-seeking societies. The design of optimal contests. Commitment problems.

- Fullerton, R. L., McAfee, P. (1999). "Auctioning Entry into Tournaments". Journal of Political Economy, 107, 3, 573-605.

- Corchón, L. (2007). "The Theory of Contests: a Survey", op. cit.

- Corchón, L. and M. Dahm (2010). "Welfare Maximizing Contest Success Functions when the Planner Cannot Commit". Journal of Mathematical Economics, 47, 3, 309-317.

- Franke, J., C. Kanzow, W. Leininger and A. Schwartz (2014). "Lottery versus All Pay Auction Contests: A Revenue Dominance Theorem". Games & Economic Behavior 83, 116-126.

- Nitzan, S. and Mealem, Y. (2015). "Discrimination in Contests". WP

6. Dynamic contests. Two stage contests. Incentives to pre commit. Who should play First? Grand Contests. Endogenous strength.

\* Dixit, A. (1987). "Strategic Behavior in Contests". American Economic Review, 77, 5, 891-898.

- Baik, K. and J. Shogren (1992). "Strategic Behavior in Contests: Comment" American Economic Review, 82, 1, 359-362.

- Klumpp, T. and M. Polborn (2006). "Primaries and the New Hampshire Effect". Journal of Public Economics 90, 1073-1114.

- Konrad, K. (2012). "Dynamic Contests and the Discouragement Effect," Revue d'économie politique, 122, 2, 233-256.

- Corchón, L. and C. Beviá (2013). "Endogenous Strength in Conflicts". International Journal of Industrial Organization, 31, 3, 195-306.

7. Contests with ties and applications to sports

- Szymanski, S. (2003). "The Assessment: The Economics of Sport". Oxford Review of Economic Policy, 19, 4, 467-77.

- Cohen, C. and Sela, A. (2007). "Contests with Ties". The B.E. Journal of Theoretical Economics, 7, 1.

- Blavatsky, P. R., (2010). "Contest success function with the possibility of a draw: axiomatization". J. of Mathematical Economics 46, 2, 267-276.

- Yildizparlak, A. (2014). "An Application of Contest Success Functions for Draws on European Soccer". Journal of Sports Economics, July, 12, 2017.

8. Contests with incomplete information

- Malueg, D., and Yates, A., (2004). "Rent seeking with private values", Public Choice, 119, 161-178.

- Wasser, C., (2013). "Incomplete information in rent-seeking contests", Economic Theory, 53, 1, 239-268

9. Experiments

- Dechenaux, E., Kovenock, D., Sheremeta, R. (2015). "A Survey of Experimental Research on Contests, All-Pay Auctions and Tournaments". Experimental Economics, 18, 609-669, 2015.

10. War. Rationalist explanations for wars. Are democracies more or less prone to wars than autocracies? How to avoid war.

\* Hirshleifer, J. (1991). "The Paradox of Power." Economics & Politics 3, 177-200.

\* Skaperdas, S. (1992). "Cooperation, conflict, and power in the absence of property rights." American Economic Review 82, 4, 720-739.

\* Fearon, J. (1995). Rationalist Explanations for War. International Organization 49: 379-414.

- \* Bueno de Mesquita, B., Smith, A., Siverson, R., and J. Morrow (2003). *The Logic of Political Survival*. The MIT Press.
- Garfinkel, M. and S. Skaperdas (2007). *Economics of Conflict: An Overview*. T. Sandler and K. Hartley (ed.), *Handbook of Defense Economics*, N. Holland.
- Jackson, M., Morelli, M. (2007). *Political Bias and War*. *American Economic Review* 97, 4, 1353-1373.
- Jackson, M., Morelli, M. (2009). "The Reasons for Wars. An Updated Survey". C. Coyne (ed.) *Handbook on the Political Economy of War*, Elgar.
- Beviá, C. and L. Corchón (2010). "Peace Agreements without Commitment". *Games and Economic Behavior*, 68, 469-487.
- Corchón, L. and A. Yildizparlak (2013). "Give Peace a Chance: The Effect of Asymmetric Information on Peace". *Journal of Economic Behavior and Organization* 92, 116-126
- Baliga, S. and T. Sjostrom (2013). "Bargaining and War: A Review of Some Formal Models". *Korean Economic Review*, 29(2), 235-266.

11. Presentation of three faculty members of their latest research.

#### LEARNING ACTIVITIES AND METHODOLOGY

Students are expected to attend lecture, do home works every other week, read papers before lecture, prepare a paper presentation and do a final exam.

#### ASSESSMENT SYSTEM

During the course I will deliver 6 problems as homework. They will be 30% of the final grade  
 Presentation of a paper chosen by the student but agreed upon with the instructor 30% of the final grade  
 Final exam 40%. The student can choose 4 questions (each from a different topic) including one regarding one of the papers presented made by faculty members.

<b>% end-of-term-examination:</b>	40
<b>% of continuous assessment (assignments, laboratory, practicals...):</b>	60

#### ADDITIONAL BIBLIOGRAPHY

- Bennedsen, Morten, and Sven E. Feldmann.. *Lobbying legislatures*, *Journal of Political Economy*, 2002
- Caillaud, Bernard, and Jean Tirole *Consensus building: how to persuade a group*, *The American Economic Review*, 2007
- Dal Bo, Ernesto *Bribing Voters*, *American Journal of Political Science* , 2007
- Dekel, Eddie, Matthew O. Jackson, and Asher Wolinsky *Vote buying: General elections*, *Journal of Political Economy*, 2008
- Grossman, Gene M., and Elhanan Helpman *Special interest politics*, MIT press, 2001
- Morgan, John, and Felix Várdy. 120.5 (2012): 986-1026. *Mixed motives and the optimal size of voting bodies*, *Journal of Political Economy*, 2012