

Topics in microeconomics (A)

Academic Year: (2021 / 2022)

Review date: 15-07-2021

Department assigned to the subject: Economics Department

Coordinating teacher: DENTER , PHILIPP GEORG

Type: Electives ECTS Credits : 4.0

Year : 2 Semester : 2

REQUIREMENTS (SUBJECTS THAT ARE ASSUMED TO BE KNOWN)

Game Theory

OBJECTIVES

The course has two modules, the first taught by Prof. Philipp Denter, the second by Prof. Álvaro Name.

Module 1: Political Economy

The purpose of this course is to provide students with an understanding of the most important theoretical models and recent developments in three different areas of political economy: Electoral Competition, Bargaining and Treaty Formation, and Politics in the Digital Age. The objective is to provide students with a sound theoretical basis to enable them to develop their own research agenda in the field. The course will make use of methods from microeconomics, game theory, and, at times, behavioral economics. Instead of a textbook, the course will be based on a sample of original articles.

Module 2: Special Interest Politics

This module focuses on optimal committee design when members are subject to either external influence or internal norms of behavior. We examine situations in which different instruments of persuasion are used by outsiders, such as, monetary resources, social pressure, coercion, and provision of information.

DESCRIPTION OF CONTENTS: PROGRAMME

OUTLINE OF THE COURSE

Module 1: Political Economy

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Topics and Literature (preliminary):

Electoral Competition

- Meltzer, Allan, and Scott Richard (1982). A Rational Theory of the Size of Government. Journal of Political Economy.
- Besley, Tim, and Stephen Coate (1997). An Economic Model of Representative Democracy. Quarterly Journal of Economics.
- *Buisseret, Peter, and Richard van Weelden (2020): Crashing The Party? Elites, Outsiders, and Elections. American Journal of Political Science.
- *Lizzeri, Alessandro, and Nicola Persico (2001). The Provision of Public Goods under Alternative Electoral Incentives. American Economic Review, 91(1), pages 225-239.
- *Bernhardt, Dan, Peter Buisseret, and Sinem Hidir (2020): The Race to the Base. American Economic

Review, 110 (3), pages 922-942.

- *Genicot, Garance, Laurent Bouton, and Micael Castanheira (2021). Electoral Systems and Inequalities in Government Interventions. Forthcoming Journal of the European Economic Association.
- Groseclose, Tim (2001): A Model of Candidate Location When One Candidate Has a Valence Advantage. American Journal of Political Science, 45, pages
- Hinich, Melvin (1977): Equilibrium in Spatial Voting: The Median Voter Theorem is an Artifact. Journal of Economic Theory, 16, 208-219.
- *Krasa, Stefan, and Matthias Polborn (2010): Competition between Specialized Candidates. American Political Science Review, 104, 745-765.862-886.
- *Levy, Gilat (2004). A Model of Political Parties. Journal of Economic Theory, 115(2), pages 250-277.
- *Snyder, James, and Michael Ting (2002). An Information Rational for Political Parties. American journal of Political Science.

Bargaining

- Rubinstein, Ariel (1982). Perfect Equilibrium in a Bargaining Model. Econometrica, 50(1), pages 97-109.
- Baron, David, and John Ferejohn (1989). A Model of Legislative Bargaining. American Political Science Review.
- *Diermeier, Daniel, Hulya Eraslan, and Antonio Merlo (2003): A Structural Model of Government Formation. Econometrica, 71(1), pages 27-70.
- *Dziuda, Wioletta, and Antoine Loeper (2016): Dynamic collective choice with endogenous status quo. Journal of Political Economy, 124, pages 1148-1186.
- *Harstad, Bård (2012). Climate Contracts: A Game of Emissions, Investments, Negotiations, and Renegotiations. Review of Economic Studies, 79(4), pages 1527-1557.
- *Harstad, Bård (2021). Pledge-and-Review Bargaining: From Kyoto to Paris.
- *Nunnari, Salvatore (2021): Dynamic legislative bargaining with veto power: Theory and experiments. Games and Economic Behavior, 126, pages 186-230.

Persuasion and Politics in the Digital Age

- Crawford, Vincent, and Joel Sobel (1982), Strategic Information Transmission, Econometrica, 50, pages 1431-1451.
- Kamenica, Emir, and Matthew Gentzkow (2011), Bayesian Persuasion, American Economic Review, 101, 2490-2615.
- *Pogorelskyi, Kirill, and Matthew Shum (2019). News We Like to Share: How News Sharing on Social Networks Influences Voting Outcomes. Working Paper
- *Büchel, Bernd, and Lydia Mechtenberg (2019). The Swing Voter's Curse in Social Networks. Games and Economic Behavior, 118, pages 241-268.
- *Denter, Philipp, Martin Dumav, and Boris Ginzburg (2021). Social Connectivity, Media Bias, and Correlation Neglect. Forthcoming The Economic Journal.

Module 2: Special Interest Politics

Committee Capture

- Neeman, Zvika. "The freedom to contract and the free-rider problem." Journal of Law, Economics, and Organization 15.3 (1999): 685-703.
- Dal Bo, Ernesto. "Bribing voters." American Journal of Political Science 51(4) (2007): 789-803.
- Name-Correa, Alvaro and Huseyin Yildirim. "A capture theory of committees." Public Choice 177.1 (2018): 135-154
- Dekel, Eddie, Matthew O. Jackson, and Asher Wolinsky. "Vote buying: General elections." Journal of Political Economy 116.2 (2008): 351-380.
- Groseclose, Tim, and James M. Snyder. ¿Buying supermajorities.¿ American Political Science Review 90 (2) (1996): 303-315.

Persuasion through Provision of Information

- Caillaud, Bernard, and Jean Tirole. "Consensus Building: How to Persuade a Group." The American Economic Review 97.5 (2007): 1877-1900.
- Alonso, Ricardo and Odilon Câmara. 2016. "Persuading Voters." The American Economic Review, 106 (11): 3590-3605.
- Kamenica, Emir, and Matthew Gentzkow. "Bayesian persuasion." The American Economic Review 101.6 (2011): 2590-2615.
- Bennedsen, Morten, and Sven E. Feldmann. "Lobbying legislatures." Journal of Political Economy 110.4 (2002): 919-946

-Bennedsen, Morten, and Sven E. Feldmann. "Informational lobbying and political contributions." *Journal of Public Economics* 90.4 (2006): 631-656.

Committees with Mixed Motives

-[*]Name-Correa, Alvaro J., and Huseyin Yildirim. "Social pressure, transparency, and voting in committees." *Journal of Economic Theory* 184 (2019): 104943.

-Morgan, John, and Felix Várdy. "Mixed motives and the optimal size of voting bodies." *Journal of Political Economy* 120.5 (2012): 986-1026.

-Midjord, Rune, Tomás Rodríguez Barraquer, and Justin Valasek. "Voting in large committees with disesteem payoffs: A ¿state of the art model." *Games and Economic Behavior* 104 (2017): 430-443.

Biased Experts

-[*]Visser, Bauke, and Otto H. Swank. "On committees of experts." *The Quarterly Journal of Economics* 122.1 (2007): 337-372.

-Levy, Gilat. "Decision-making procedures for committees of careerist experts." *American Economic Review* 97.2 (2007): 306-310.

-[*]Correa, Alvaro J. Name, and Huseyin Yildirim. "Biased experts, majority rule, and the optimal composition of committee." *Games and Economic Behavior* 127 (2021): 1-27.

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

Assessment in module 1 will be a presentation (50%), a referee report (35%), and class participation (15%). In module 2 there will be an exam (50%), a referee report (30%), and a presentation (20%).

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| % end-of-term-examination: | 25 |
| % of continuous assessment (assignments, laboratory, practicals...): | 75 |

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