Topics in microeconomics (B)

Academic Year: (2021 / 2022) **Review date: 21-07-2021**

Department assigned to the subject: Economics Department

Coordinating teacher: CABRALES GOITIA, ANTONIO

Type: Electives ECTS Credits : 4.0

Year : 2 Semester : 2

REQUIREMENTS (SUBJECTS THAT ARE ASSUMED TO BE KNOWN)

Microeconomics I, Microeconomics II and Microeconomics III

OBJECTIVES

Experimental Economics
Within the past few decades, experimental economics has proven useful in testing the validity of standard economic theories. When human behaviour departures from standard theories, new theories are constructed to better explain the data. Economic experiments replicate real-word incentives and are conducted either in the laboratory or in the field. This course will review some active research areas in experimental economics. The course will also cover important methodological tools used in designing, running and making use of experimental data.

Economics of social networks
Networks pervade socio-economic life. They also pervade our discipline. The work in the area has connections with many different sub-fields of game theory, from cooperative games, to refinements, evolutionary games, bargaining and other interesting topics. At the same time there are numerous applications in different fields. Just to name a few: industrial organization, labor economics, organization theory and information theory. So I expect this course to be of interest to people coming from many different backgrounds.

DESCRIPTION OF CONTENTS: PROGRAMME

Experimental Economics lecture topics:
1. Practical aspects of experimental design.
2. Cheap talk: language evolution (Blume et al, 1998, 2001); Lying aversion (Sanchez-Pages and Vorsatz, 2007; Wang et al, 2010); Deception (Gneezy 2005); Promises (Charness and Dufwenberg 2006); market for information (Cabrales et al. 2020).
3. Trust, and social preferences: trust (Berg, Dickhaut and McCabe, 1995, Zak and Knack 2001, Algan and Cahuc 2010, Johnson and Mislin 2010), trust and institutions (Aghion et al. 2010, Pinotti 2012, Cabrales et al. 2020), trust and reflection (Rand 2016, Cabrales et al. 2017), Social preferences (Fehr and Schmidt 1999, Charness and Rabin 2002, Levitt and List 2007, Cabrales et al. 2010, Cabrales and Ponti 2017).
4. Political economy: Voting (Palfrey 2009); market for votes (Casella, Llorente-Saguer, Palfrey 2012); redistribution (Cabrales, Nagel, Rodríguez-Mora 2012).
5. Experiments in networks: coordination (Keser et al. 1998, Berninghaus et al 2002, Cassar 2007), strategic complements games (Gallo and Yan 2015), strategic substitutes games (Rosenkrantz and Weitzel 2012, Goyal et al. 2017).

Social networks lecture topics:
1. Network formation: stability and efficiency (Jackson and Wolinsky 1996).
2. Games played on networks I, strategic complements (Ballester, Calvó-Armengol and Zenou 2006, Cabrales, Calvó-Armengol and Zenou 2011).
3. Games played on networks II, strategic substitutes (Bramoullé and Kranton 2007, 2014).
4. Games played on networks III, information and coordination (Morris 2000, Chwe 2000, Galeotti and Goyal 2010).
5. Financial contagion in networks (Acemoglu, Ozdaglar, and Tahbaz-Salehi 2015, Elliott, Golub and Jackson 2014, Cabrales, Gale and Gottardi 2016, Cabrales, Gottardi and Vega-Redondo 2017).

LEARNING ACTIVITIES AND METHODOLOGY

There will be lectures in which students are expected to have read the material and participate actively and critically towards the material, as is usual in a community of researchers. After 7 weeks of lectures, there is a week of student project presentations.

ASSESSMENT SYSTEM

Assessment experimental economics:
You will need to submit a fully worked out experimental paper proposal. The paper needs to be well motivated and carefully written with a thoughtful connection to an organizing piece of theory and relevant previous experimental literature. The paper should also give a very specific description of how each of the paper's hypotheses will be tested with reference to appropriate statistical tests/techniques.

Assessment social networks:
Each of you will read, present and write a review of either a chapter of the Oxford Handbook, or a specific paper in the area, after consulting with the lecturer. They can also present an original project.

% end-of-term-examination:	0
% of continuous assessment (assigments, laboratory, practicals…):	100

BASIC BIBLIOGRAPHY

- Alvin Roth and John Kagel The Handbook of Experimental Economics Vols 1 and 2 , Princeton University Press, 1997 y 2016
- Charles Plott and Vernon Smith. Handbook of Experimental Economics Results , Elsevier, 2008
- Colin Camerer Behavioral Game Theory: Experiments in strategic interaction , 2003, Princeton University Press
- Fernando Vega-Redondo Complex Social Networks , Cambridge University Press, 2007
- Matthew Jackson Social and Economic Networks , Princeton University Press, 2007
- Pablo Brañas-Garza and Antonio Cabrales. Experimental Economics ¿ Vol. I: Economic Decisions and Vol. II: Economic Applications , Springer, 2015
- Sanjeev Goyal Connections: An Introduction to the Economics of Networks , Princeton University Press, 2007
- Yann Bramoullé, Andrea Galeotti, and Brian Rogers The Oxford handbook of the economics of networks , Oxford University Press, 2016