This course will be divided into three sections, featuring three different topics taught by two different faculty members and a visitor. The common theme is “issues with information transmission and communication.” During weeks 0 through 4, Watson will give an overview of methods to analyze contractual settings with complete but unverifiable information, where there are strategic complications in the process of transmitting information about the relationship to third party enforcers. In weeks 5 and 6, visitor Andreas Blume will lecture on language and strategy. During weeks 7 through 10, Ali will cover material on social learning.

There is no textbook for the course; most of the readings are journal articles. Each student is required to (a) read the articles as directed by the instructors, (b) attend class and learn from lectures, (c) participate in discussions, (d) prepare a short presentation on an article in the topic area, and (e) write a research proposal and literature review. Students will be evaluated on the basis of their participation, quality of presentations, and written work.

Course schedule: Tuesdays and Thursdays from 4:00 to 5:20 p.m., starting Thursday, September 25, and ending Thursday, December 4.

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Office hours will be announced.

The following pages list some of the readings for the three parts of the course.
Watson’s section on contracting with complete information

In this part of the course, we will discuss methods of modeling contractual settings, emphasizing the use of implementation theory and game-theoretic structures that incorporate real-world institutional constraints. We will survey some of the issues and concepts that have dominated the literature in recent years (verifiability constraints, contracting costs, renegotiation opportunities, incompleteness, specific contractual forms, etc.).

We will aim to cover the following in order:

1. Some technical tools — implementation theory, bargaining theory
2. Renegotiation; the hold-up problem
3. Accounting for the technology of trade, dynamics
4. Basic team production models
5. Use of third parties to absorb resources
6. Some models of overlapping contractual relationships

Some relevant papers:

Watson, “Introduction to Mechanism Design and Contract: The Case of Two Players and Complete Information” (some notes for class).
Baliga and Sjöström, “Contracting with Third parties,” forthcoming in *AEJ: Microeconomics.*
Language and Strategy

Reading List

I.a Strategic Information Transmission


I.b Communicating Information with Natural Language


★ Lipman, Barton L. [2006], “Why is Language Vague?,” manuscript, Boston University.


II. Communication Errors


III. Intentional Vagueness

★ Blume, A. and O.J. Board [2008], “Intentional Vagueness,” in progress
Reading List (for Nageeb’s Section): Social Learning


References


