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Economics 201: Coordination, Communication, Attention

Description:

Econ 201 is a topics class. I describe the topics below.

Objectives:

1. For you
 - (a) Exposure to a topic that may be new and or interesting.
 - (b) Experience reading and presenting material.
 - (c) Ideally, a new research paper.
2. For me
 - (a) A paycheck.
 - (b) Organizing two literatures.
 - (c) Preparing for a conference.
 - (d) Understanding contemporary efforts at persuasion.

Structure of Class: You are going to do the work. After the first week I expect class sessions to be run by a student organizer and I will want all participants to study the papers for the class in advance. In addition to organizing your share of the classes, everyone is required to complete a research paper (the length, topic, and number of coauthors are negotiable).

Prerequisites

First year micro and a tolerance for theory.

Paternalistic Rant: Do not take the class because you “need” an elective. At this point your academic goal should be to write a good dissertation. Allocate your time accordingly.

Auditors must contribute fully (presentations and class discussion), but do not need to provide a research paper.

Topics

I want to organize the class around several related topics and, more importantly, several research questions.

This outline is tentative. I will start near the beginning, but I will make changes based on how are interests develop.

1. Communication in Organizations

The issue is how to organize decision making in groups when different group members have different information. What makes an organization good? Who should make decisions? Will larger firms be less able to adapt to new opportunities? From a modeling perspective, there are two forces that make the problem difficult: conflicts of interest and costs of communication. Communication costs are both old fashioned and new. I am interested in studying approaches that add costs into these models.

Arrow [6], Garicano-Prat [24], Marschak-Radner [37], Milgrom-Roberts [38], and Prat-Dessein [45] are overviews. Marschak and Radner in the seminal text in team theory, but I cannot point to a result in it that you need to know. Arrow's book is somewhat dated and informal, but it is Arrow. Milgrom and Roberts is a text on communication in organizations. Garicano and Prat and Prat and Dessein are survey articles. Garicano and Prat cover a broader range of topics than Prat and Dessein, which focuses primarily on the authors' papers.

This leads naturally to a treatment of how to allocate decision authority in an organization. The papers that are most related are by Alonso, Dessein, and Matouschek [2], Dessein, Galeotti, and Santos [17], Dessein and Santos [18], and Rantakari [47]. ADM and R are extremely similar. DS introduces a slightly different model. DGS uses the DS model but models cost of communication differently than CGP.

2. Information Markets

There is a parallel literature that studies how agents collect information when they make interrelated decisions. The typical examples are collective action problems and investments in stock market. The underlying strategic interaction has the same "beauty contest" flavor of the literature on communication in organizations.

Morris and Shin [39] provide the underlying model for this analysis. Angeletos and Pavan [4], Galperti and Treviño [23], Hellwig and Veldkamp [32], and Myatt and Wallace [43] are important papers in this area. Veldkamp [51] is a monograph.

Gendron-Saulnier and Gordon [25] contains technical results that organize some comparative-statics results. Morris and Yang [40] is a recent contribution to the equilibrium selection literature relating to these games. Vives and Yang [52] is a bit off topic, but may be worth looking at.

One goal is to compare and contrast these models with those in the first category. The second goal is to see if it is possible to "arbitrage" results: That is translate findings from one setting into the other. The third goal is to learn about how information is produced, which relates to the next topics.

3. Persuasion A persuasion game is one in which one side tries to "package" information in order to induce the other to make specific choices. Politicians and advertisers engage in persuasion.

Kamenica and Gentzkow [34], building on Aumann and Maschler [8] and Brocas and Carillo [14], develop one way to avoid the multiplicity problem. They give the informed agent the right to commit to a communication structure. This approach has attracted a lot of attention recently. I do not view

it as directly related to the study of lying, but studying the basic ideas may be more useful than my agent. Some recent additions to the literature include: Alonso and Cámara [3], Antić and Persico [5], Galperti [22], Kolotilin, Li, Mylovanov, and Zapechelnuyuk [36], Perez-Richet and Skreta [44], and Rayo and Segal [48].

Dynamic versions of these models are the current fashion. Au [7], Best-Quigley [12], Bizzotto, Rüdiger, and Vigier [13], Che-Hörner [15], Doval-Ely [19], Ely, Frankel, Kamenica [20], Guo and Shmaya [31], Hörner-Skrzypacz [33], Perez-Richet and Skreta [44], and Taneva [50] are some examples of this work.

Let us not forget that non-economists also think about persuasion. Two classics (one literally) are: Aristotle [35] and Goffman [30].

4. Advertising

I view advertising as a bridge between persuasion and the general analysis of production of information. I do not intend to cover the large literature on advertising, but I would like to at least honor the traditional work (surveyed by Bagwell [9] and Renault [49]) and the alternative view as advertising as a consumption good (Becker and Murphy [11]) and behavioral approaches (Mullainathan, Schwartzstein, and Shleifer [41]).

5. News

A central issue is under what conditions news providers arise and when will these providers usefull information. Allcott and Gentzkow [1], Baron [10], Chiang and Knight [16], Enikolopov, Petrova, and Zhuravskaya [21], Gentzkow and Shapiro [26], [26], [27], [28], Gentzkow, Shapiro, and Sinkinson [29], Prat and Strömberg [46], and Mullainathan and Shleifer [42] are starting points.

Research Questions I want the class to focus on problems that can be the basis of research papers. I will start with statements that are vague and unformulated. I hope that we will augment and refine the list as the class continues.

1. From Monday's class

- (a) How does the order of information influence behavior? In particular, is order-dependence consistent with rational behavior? (When) is recent information over (or under) estimated?
- (b) How does the source of information influence its credibility?
- (c) Is it possible for strategic behavior of one provider to reduce the credibility of other sources?

2. Who pays for the news? (readers, advertisers, advocates)

3. What pays for clarity? (consumers or providers)

4. Does competition lead to full information?

5. What does it take to have a "free press"? (No censorship, access to sources of information, access to means of distribution?)

6. Under what conditions is the media biased?

7. Under what conditions do consumers end up biased?

8. Under what conditions may consumers have different beliefs?

9. How does technologic change influence the answers?
10. Is there a role for public policy?

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