Prof. James Peck
Office (440 Arps): 292-0182
e-mail: peck.33@osu.edu
http://economics.sbs.ohio-state.edu/jpeck/

Fall, 2003
Course Website: http://economics.sbs.ohio-state.edu/jpeck/Econ818.htm

Economics 818

Information and Industrial Organization: Syllabus and Reading List

Course Objectives: This course will provide you with useful tools for understanding current research and performing your own research in Industrial Organization theory, with an emphasis on models with asymmetric information. The course will also expose you to current "frontier" work and "classic" articles on a wide range of topics.

Course Requirements: Students will be required to present one of the papers to the class **and** to write a short (5 page) referee's report on a (different) relevant paper. The presentation and referee's report each will make up 50 % of the final grade.

Papers preceded by an asterisk, *, are required and will probably be covered in class. Other papers are for your information. Although there is no text, per se, a good background source for industrial organization is

Tirole, J., The Theory of Industrial Organization, Cambridge, Mass.: MIT Press, 1988.

I. Preliminaries

Malueg, D. A., "Comparing Comparisons of Experiments," University of Iowa Working Paper # 85-39, September 1985.

II. Subjectivity, Correlation, and Common Knowledge

*Aumann, R. J., "Subjectivity and Correlation in Randomized Strategies," *Journal of Mathematical Economics*, 1974.

*Aumann, R. J., "Agreeing to Disagree," *Annals of Statistics*, 1976.

Geanakoplos, J. and H. Polemarchakis, "We can't disagree forever," *J. Econ. Theory* 28 (1982), 192-200.

Aumann, R. J., "Correlated equilibrium as an expression of Bayesian rationality," *Econometrica*, January 1987, 1-18.

Milgrom, P. and N. Stokey, "Information, Trade, and Common Knowledge," *J. Econ. Theory*, 26, 1982, 17-27.

III. "Walrasian" Rational Expectations Models

Radner, R., "Rational Expectations Equilibrium: Generic Existence and the Information Revealed by Prices," *Econometrica*, 47 (1979), 655-678.

*Grossman, S. and J. Stiglitz, "On the impossibility of informationally efficient markets," *AER*, Vol. 70, 1980, 393-408.

IV. Rational Expectations with Explicit Price Formation (including Auction Markets)

Dubey, P., J. Geanakoplos, and M. Shubik, "Revelation of Information in Strategic Market Games: A Critique of Rational Expectations Equilibrium," *J. Math. Econ.*, 1987, 105-137.

Jackson, M. and J. Peck, "Asymmetric information in a competitive market game: reexamining the implications of rational expectations," *Economic Theory* 13, (1999), 603-628.

*Milgrom, P., "Rational Expectations, Information Acquisition, and Competitive Bidding," *Econometrica*, 49, 1981, 921-943.

Jackson, M. and J. Peck, "Speculation and Price Fluctuations with Private, Extrinsic Signals," *J. Econ. Theory*, 55, 1991, 274-295.

Pesendorfer, W. and Jeroen M. Swinkels, "Efficiency and Information Aggregation in Auctions," *Amer. Econ. Rev.*, June 2000, 499-525.

V. Herding and Information Cascades

*Banerjee, A., "The Economics of Rumours," *Rev. Econ. Studies*, 1993, 309-328.

*Bulow, J. and P. Klemperer, "Rational frenzies and crashes," *J. Polit. Econ.*, 102 (1), 1994, 1-23.

Morris, S. and H.-S. Shin, “Unique Equilibrium in a Model of Self-Fulfilling Currency Attacks,” *American Economic Review* 88(3), June 1998, 587-97.

*Jeitschko, T. D. and C. R. Taylor, “Local Discouragement and Global Collapse: A Theory of Coordination Avalanches,” *American Economic Review* 91 (1), March 2001, 208-224.

VI. Signalling Models

Spence, M., "Job Market Signaling," *Q. J. E.*, 1973, 355-374.

*Cooper, R. and T. Ross, “Prices, Product Qualities and Asymmetric Information: The Competitive Case,” *Rev. Econ. Studies*, 1984, 197-207.

*Milgrom, Paul and J. Roberts, “Price and Advertising Signals of Product Quality,” *Journal of Political Economy* 94(4), August 1986, 796-821.

Milgrom, P. and J. Roberts, “Predation, Reputation, and Entry Deterrence,” *Journal of Economic Theory* 27 (1982), 280-312.

Mailath, G. and L. Samuelson, “Who Wants a Good Reputation?”, *Review of Economic Studies* 68 (2001), 415-442.

VII. Search Models

*Burdett, K. and K. Judd, "Equilibrium Price Dispersion," *Econometrica*, 1983, 955-969.

Robert, J. and D. O. Stahl II, "Informative price advertising in a sequential search model," *Econometrica*, 1993, 657-686.

*Prescott, E. C., “Efficiency of the Natural Rate,” *Journal of Political Economy*, 1975, vol. 83, no. 6, 1229-1236.

Deneckere, R. and J. Peck, “Dynamic Competition with Random Demand and Costless Search: A Theory of Price Posting,” Ohio State University xerox, revised April 2003.

Dana, J. D. Jr. (1998), “Advanced purchase discounts and price discrimination in competitive markets,” *Journal of Political Economy*, 106, 395-422.

Dana, J. D. Jr. (1999), “Using Yield Management to Shift Demand When the Peak Time is Unknown,” *Rand Journal of Economics*, 30, 456-474.

Carlton, D.W., “Market behavior with demand uncertainty and price inflexibility,” *American*

Economic Review 68 (1978), 571-587.

*Deneckere, R. and J. Peck, "Competition over price and service rate when demand is stochastic: a strategic analysis," *Rand Journal of Economics* 26 (1995), 148-162.

VIII. Contract Theory and Mechanism Design

Neeman, Z., "Property Rights and Efficiency of Public-Good Mechanisms under Asymmetric Information," 1994 mimeo.

*Myerson, R., and M. Satterthwaite, "Efficient Mechanisms for Bilateral Trading," *Journal of Economic Theory*, 29 (1983), 265-281.

Gul, F., "Unobservable Investment and the Hold-up Problem," *Econometrica* 69 (2), 2001, 343-376.

Aghion, P. and P. Bolton, "An Incomplete Contracting Approach to Financial Contracting," *Review of Economic Studies* 59 (1992), 473-493.

Che, Y-K and J. Sakovics, "A Dynamic Theory of Holdup," University of Wisconsin, January 29, 2003.

Hart, O. D. and J. Moore, "Property Rights and the Nature of the Firm," *Journal of Political Economy* 98 (1990), 1119-1158.

Holmstrom, B., "Moral Hazard and Observability," *Bell Journal of Economics*, 10 (1979), 74-91.

Holmstrom, B., "Moral Hazard in Teams," *Bell Journal of Economics*, 13 (1982), 324-340.

IX. Bargaining and the Coase Conjecture

*Rubinstein, A., "Perfect Equilibrium in a Bargaining Model," Econometrica 50 (1982), 97-109.

*Ausubel, L. M. and R. Deneckere, "Durable Goods Monopoly with Incomplete Information," *Review of Economic Studies* 59 (1992), 795-812.

Ausubel, L. M. and R. Deneckere, "Bargaining and the Right to Remain Silent," *Econometrica* 60 (May 1992), 597-625.

Chatterjee, K. and W. Samuelson, "Bargaining Under Incomplete Information," *Operations*

Research 31 (1983), 835-851.

Gul, F., H. Sonnenschein, and R. Wilson, "Foundations of Dynamic Monopoly and the Coase Conjecture," *Journal of Economic Theory* 39 (1986), 155-190.

X. Entry and Exit

*Dixit, A. and Shapiro, C, "Entry Dynamics with Mixed Strategies," in L. G. Thomas III, ed., The Economics of Strategic Planning: Essays in Honor of Joel Dean, Lexington: Lexington Books, 1986.

Levin, D. and J. Peck, "To Grab for the Market or to Bide One's Time: A Dynamic Model of Entry," *Rand Journal of Economics* 34 (Autumn 2003), 535-555.

Bolton, P. and J. Farrell, "Decentralization, Duplication, and Delay," *Journal of Political Economy* 98 (1990), 803-826.

Chamley, C. and D. Gale, "Information Revelation and Strategic Delay in a Model of Investment," *Econometrica* 62 (1994), 1065-1085.

*Levin, D. and J. Peck, "Investment Dynamics with Common and Private Values," Ohio State University xerox, September 2003.

*Bulow, J. and P. Klemperer, "The Generalized War of Attrition," *American Economic Review* 89 (1999), 175-189.

XI. Vertical Restraints

*Deneckere, R., H. Marvel, and J. Peck, "Demand Uncertainty and Price Maintenance: Markdowns as Destructive Competition," *American Economic Review*, Vol. 87, No. 4, September 1997, 619-641.

Deneckere, R., H. Marvel, and J. Peck, "Demand Uncertainty, Inventories, and Resale Price Maintenance," *Quarterly Journal of Economics*, August 1996, 885-913.

Marvel, H. and J. Peck, "Demand Uncertainty and Returns Policies," *International Economic Review*, Vol. 36, No. 3, August 1995, 691-714.

Winter, R. A., "Vertical Control and Price versus Nonprice Competition," *Quarterly Journal of Economics* 108(1), February 1993, 61-76.

XII. Miscellaneous Topics

Okuno-Fujiwara, M., A. Postlewaite and Kotaro Suzumura, "Strategic Information Revelation," *Rev. Econ. Stud.*, 1990 (57), 25-47.

*Bagwell, K., "Commitment and Observability in Games," *Games and Economic Behavior*, February 1995, Vol. 8, Number 2, 271-280.

*Deneckere, R. and R. P. McAfee, "Damaged Goods," *JEMS* 5(2), Summer 1996, 149-174.

Bergemann, D. and J. Valimaki, "Learning and Strategic Pricing," *Econometrica* 64(5), September 1996, 1125-49.

Maskin, E., and J. Riley (1984), "Monopoly with Incomplete Information," *Rand Journal of Economics* 15 (2): 171-196.

This publication/material is available in alternative formats upon request. Please contact John-David Slaughter (410-F Arps Hall, 292-6702) for further information. Students with disabilities are responsible for making their needs known to the instructor and seeking assistance in a timely manner.