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Course Syllabus

Spring 2019
Oslo University
Course Language: English

Course Description: We will study papers on bargaining and markets, investigating the meaning and relationship of three important outcomes in microeconomic theory: Competitive outcome, Coasian outcome, and Nash outcome.

Objective: It is threefold. First, to get you an overview of an important branch of microeconomic theory. Second, to get familiarized with techniques and rigor used in theory. Third, to get you started thinking about research ideas.

References: This course is based on papers which you can readily download on your own. The references that follow are divided into three themes.

1. The Nash program

1. * Abreu, D., and F. Gul, 2000. “Bargaining and reputation.” *Econometrica*, **68**, 85–117.
2. Abreu, D., and D. Pearce, 2015. “A Dynamic Reinterpretation of Nash Bargaining with Endogenous Threats,” *Econometrica*, **83**, 1641–1655.
3. Abreu, D., F. Gul, and D. Pearce, 2015. “One-sided uncertainty and delay in reputational bargaining,” *Theoretical Economics*, **10**, 719–773.

4. Abreu, D., and D. Pearce, 2007. “Bargaining, reputation, and equilibrium selection in repeated games with contracts.” *Econometrica*, **75**, 653–710.
5. Fanning, J., 2016. “Reputational bargaining and deadlines,” *Econometrica*, **84**, 1131–1179.
6. Kambe, S., 1999. “Bargaining with imperfect commitment.” *Games and Economic Behavior*, **28**, 217–237.
7. * Nash, J., 1953. “Two-Person Cooperative Games,” *Econometrica*, **21**, 128–140.
8. * Nash, J., 1950. “The Bargaining Problem,” *Econometrica*, **18**, 155–162.
9. * Rubinstein, A., 1985. “A bargaining model with incomplete information about time preferences.” *Econometrica*, **53**, 1151–1172.

2. The Coasian outcome

1. * Ausubel, L.M., and R.J. Deneckere, 1989. “Reputation in bargaining and durable goods monopoly,” *Econometrica*, **57**, 511–531.
2. * Deneckere, R., and M.-Y. Liang, 2006. “Bargaining with interdependent values,” *Econometrica*, **74**, 1309–1364.
3. * Fudenberg, D., D.K. Levine, and J. Tirole, 1985. “Infinite-horizon models of bargaining with one-sided incomplete information.” *Game-Theoretic Models of Bargaining*, 73–98.
4. Gul, F., H. Sonnenschein, and R. Wilson, 1986. “Foundations of dynamic monopoly and the coase conjecture,” *Journal of Economic Theory* **39**, 155–190.
5. Kim, K., 2009. “The Coase conjecture with incomplete information on the monopolist’s commitment,” *Theoretical Economics*, **4**, 17–44.
6. Ortner, J., 2016. “Durable goods monopoly with stochastic costs,” *Theoretical Economics*, Forthcoming.

3. The role of Information

1. * Daley, B., and B. Green, 2012. “Waiting for News in the Market for Lemons,” *Econometrica*, **80**, 1433–1504.
2. Daley, B., and B. Green, 2016. “Bargaining and News,” Working Paper.
3. * Hörner, J., and N. Vieille, 2009. “Public vs. Private Offers in the Market for Lemons,” *Econometrica*, **77**, 29–69.

4. Kaya, A., and Q. Liu, 2015. “Transparency and Price Formation,” *Theoretical Economics*, **10**, 341–383.
5. Kim, T., 2016. “Information about Sellers’ Past Behavior in the Market for Lemons,” working paper.

4. Bargaining, Matching and Relationship to the Walrasian Outcome

1. Gale, D., 1987. “Limit Theorems for Markets with Sequential Bargaining,” *Journal of Economic Theory*, **43**, 20–54.
2. * Rubinstein, A., and A. Wolinsky, 1985. “Equilibrium in a market with sequential bargaining,” *Econometrica*, **53**, 1133–1150.
3. * Rubinstein, A., and A. Wolinsky, 1990. “Decentralized trading, strategic behaviour and the Walrasian outcome,” *Review of Economic Studies*, **57**, 63–78.
4. Satterthwaite, M., and A. Shneyerov, 2007. “A Dynamic matching, two-sided incomplete information, and participation costs: Existence and convergence to perfect competition,” *Econometrica*, **75**, 155–200.

5. Aggregation in Search Markets with Common-value Uncertainty

1. * Lauermann, S., and A. Wolinsky, 2016. “Search with Adverse Selection,” *Econometrica*, **84**, 243–315.
2. Lauermann, S., G. Virag and W. Merzyn, 2016. “Learning and Price Discovery in a Search Model,” working paper.
3. * Wolinsky, A., 1990. “Information revelation in a market with pairwise meetings,” *Econometrica*, **58**, 1–23.

6. Dynamic Models of Financial Markets

1. * Abreu, D., and M.K. Brunnermeier, 2003. “Bubbles and crashes”, *Econometrica*, **71**, 173–204.
2. Bulow, J. and P. Klemperer, 1994. “Rational Frenzies and Crashes,” *Journal of Political Economy*, **102**, 1–23.
3. Glosten, L., and P. Milgrom, 1985. “Bid, ask and transaction prices in a specialist market with heterogeneously informed traders,” *Journal of Financial Economics*, **14**, 71–100.

4. * Kyle, A., 1985. “Continuous Auctions and Insider Trading,” *Econometrica*, **53**, 1315–1335.
5. Ostrovsky, M., 2012. “Information Aggregation in Dynamic Markets with Strategic Traders,” *Econometrica*, **80**, 2595–2638.

7. Information Aggregation in Large Common-value Auctions

1. * Atakan, A., and M. Ekmekci, 2014. “Auctions, Actions and the Failure of Information Aggregation,” *American Economic Review*, **104**, 2014–2048.
2. * Milgrom, P., 1979. “A convergence theorem for competitive bidding with differential information,” *Econometrica*, **47**, 679–688.
3. * Pesendorfer, W., and J. Swinkels, 1997. “The loser’s curse and information aggregation in common value auctions,” *Econometrica*, **65**, 1247–1281
4. Pesendorfer, W., and J. Swinkels, 2000. “Efficiency and information aggregation in auctions,” *American Economic Review*, **90**, 499–525.
5. * Reny, P., and M. Perry, 2006. “Toward a strategic foundation for rational expectations equilibrium” *Econometrica*, **74**, 1231–1269.
6. Wilson, R., 1977. “A Bidding Model of Perfect Competition,” *Review of Economic Studies*, **44**, 511–518.