

Information Aggregation in Markets and Organizations

PhD Course

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This monographic course covers recent developments in research on dispersed information is aggregated in markets and organizations. Special emphasis will be placed on the strategic incentives for information intermediaries, the development of prediction markets to improve corporate and public decision-making, and the rationale for government policies intended at mandating information disclosure and protecting consumers.

Each topic will be illustrated through examples from different fields, including industrial organization, financial economics, public economics, the economics of contracts and incentives, law and economics, organization economics, and the emerging field of macroeconomics with dispersed information. This course is targeted not only to students who would like to pursue research on information issues in these fields of applied microeconomic theory, but also to students who are interested in doing empirical research in applied microeconomics.

1. Information, Experimentation, and Social Learning

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Banerjee, Abhijit V. (1992), “A Simple Model of Herd Behavior,” *Quarterly Journal of Economics*, 107(3), 797–817.

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Smith, Lones and Peter N. Sørensen (2008), "Informational Herding and Optimal Experimentation," mimeo.

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2. Information and Strategic Communication

Crawford, Vincent and Joel Sobel (1982), "Strategic Information Transmission," *Econometrica*, 50(6), 1431–1452.

Sobel, Joel (1985), "A Theory of Credibility," *Review of Economic Studies*, 52(4), 557–573.

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Krishna, Vijay and John Morgan (2001), "A Model of Expertise" *Quarterly Journal of Economics*, 116, 747–775.

Battaglini, Marco (2002), "Multiple Referrals and Multidimensional Cheap Talk," *Econometrica*, 70(4), 1379–1401.

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Ottaviani, Marco and Peter N. Sørensen (2006), “The Strategy of Professional Forecasting,” *Journal of Financial Economics*, 81(2), 441–466.

Li, Wei (2007), “Changing One’s Mind when the Facts Change: Incentives of Experts and the Design of Reporting Protocols,” *Review of Economic Studies*, 74, 1175–1194.

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3. Information in Elections, Committees, and Pools

Dekel, Eddie and Michele Piccione (2000), “Sequential Voting Procedures in Symmetric Binary Elections,” *Journal of Political Economy*, 108 (1), 34–55.

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4. Information and Incentives

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Holmström, Bengt, and Paul Milgrom (1991), “Multitask Principal-Agent Analyses: Incentive Contracts, Asset Ownership, and Job Design,” *Journal of Law, Economics, and Organization*, 7, 24–52.

Dranove, David, Daniel Kessler, Mark McClellan, and Mark Satterthwaite (2003), “Is More Information Better? The Effects of Report Cards on Cardiovascular Providers and Consumers,” *Journal of Political Economy*, 111(3), 555–588.

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5. Information and Authority in Organizations

Holmström, Bengt (1977), “On Incentives and Control in Organizations,” Doctoral Dissertation

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6. Information and Pricing

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

Bergemann, Dirk and Juuso Valimäki (2006), “Information in Mechanism Design,” in: Richard Blundell, Whitney Newey, and Torsten Persson (eds.), *Proceedings of the 9th World Congress of the Econometric Society*, Cambridge University Press, Chapter 5, 186–221.

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- Henry, Emeric (forthcoming), "Strategic Disclosure of Research Results: The Cost of Proving Your Honesty," *Economic Journal*.
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9. Information Aggregation in Auctions and Financial Markets

- Grossman, Sanford J. (1976), "On the Efficiency of Competitive Stock Markets Where Traders Have Diverse Information," *Journal of Finance*, 31(2), 573–585.
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- Swinkels, Jereon and Wolfgang Pesendorfer (1997), "The Loser's Curse and Information Aggregation in Common Value Auctions," *Econometrica*, 65, 1247–1282
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10. Information in Betting Markets

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11. Information in Prediction Markets

Kenneth J. Arrow, Robert Forsythe, Michael Gorham, Robert Hahn, Robin Hanson, John O. Ledyard, Saul Levmore, Robert Litan, Paul Milgrom, Forrest D. Nelson, George R. Neumann, Marco Ottaviani, Thomas C. Schelling, Robert J. Shiller, Vernon L. Smith, Erik Snowberg, Cass R. Sunstein, Paul C. Tetlock, Philip E. Tetlock, Hal R. Varian, Justin Wolfers, and Eric Zitzewitz (2008), “The Promise of Prediction Markets,” *Science*, 320(5878), 877–878.

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