

Topics in Microeconomics (21931)

Political Economy; Communication; Mass Media; Economics of Social Interactions

Degree/study: ADE and Economics

Course: third and fourth

Term: Third

Number of ECTS credits: 5 credits

Hours of student's dedication: 125 hours

Language or languages of instruction: English

Professors and TA's: Stephen Hansen / Rosemarie Nagel / Fabrizio Germano /
Joan de Martí

1. Presentation of the subject

The course aims to cover advanced topics in political economy, communication, media, and the economics of social interactions. These will cover theoretical, experimental and empirical material. There is no single reference textbook but rather each instructor will provide a list of articles and other references pertinent to the topics covered. Having taken the courses Information Economics (20854) and Game Theory (21932) is highly recommended.

2. Competences to be attained

The student should learn how to think about and model aspects of political economy, communication, media and social interactions more generally.

3. Content

Part 1 Prof: Stephen Hansen

TOPIC 1.A CAREER CONCERNS

Holmström model – Herding – Evidence from central bank communication

TOPIC 1.B POLITICAL ECONOMY

Credibility – Strategic voting

Part 2 Prof: Rosemarie Nagel

TOPIC 2.A EXPERIMENTS IN POLITICAL ECONOMY

Part 3 Prof: Fabrizio Germano

TOPIC 3.A GAMES AND COMMUNICATION

Sender receiver games – Cheap talk – Persuasion

TOPIC 3.B MASS MEDIA AND POLITICS

Propaganda model – Global media – Internet and democracy

Part 4 Prof: Joan de Martí

TOPIC 4.A SOCIAL GROUPS AND SOCIAL NETWORKS

Basic Concepts – Models and Methods

TOPIC 4.B PEER EFFECTS

Peer Effects as a Strategic Complementarity: A game theory model - Peer effects in the classroom: problems and results in empirical evaluation.

TOPIC 4.C LOCAL PUBLIC GOODS

Local Public Goods and Strategic Substitutes: A game theory model – Examples: Information Transmission in networks; Influencers.

TOPIC 4.C SEGREGATION

Measuring segregation - Two models about segregation dynamics - Is segregation good or bad from an economic point of view?

4. Assessment

There will be three problem sets posted on aula global that are to be handed in one or two weeks later as well as one short seminar presentation, which is mandatory and will be in weeks 8 and 9 of the quarter. Grades are based on the final exam (60%), the class presentation (20%), the problem sets (10%);, and class and seminar participation (10%). A passing grade on the final exam is required to pass the class. There will be no midterm.

5. Tentative Schedule

No	Week	Theory: MoTu 19:00-20:30	Seminars: Th 11:00-12:30, 14:00-15:30, 15:30-17:00
1.	31/3-4/4	Stephen (Mo/Tu) Career Concerns	
2.	7/4-11/4	Stephen (Mo/Tu) Career Concerns	Stephen
3.	22/4-25/4	Stephen (Tu) Political Economy	Rosemarie (required)
4.	28/4-2/5	Stephen (Mo/Tu) Political Economy	
5.	5/5-9/5	Rosemarie (Mo) Experiments Fabrizio (Tu) Communication Games	
6.	12/5-16/5	Fabrizio (Mo/Tu) Media and Politics	
7.	19/5-23/5	Joan (Mo/Tu) Social networks	Fabrizio
8.	26/5-30/5	Joan (Mo/Tu) Peer effects	Fabrizio (required)
9.	2/6-6/6	Joan (Mo/Tu) Local Public Goods	Fabrizio (required)
10.	9/6-13/6	Joan (Mo/Tu) Segregation	Joan

Note: In **Week 3** there will be an experiment in the seminar classes.
In **Weeks 8/9** there will be presentations in the seminar classes.

Participation in these seminars is mandatory; a list of papers for presentation will be posted early in the quarter; a detailed schedule will be announced.

5. References

Part 1:

Bengt Holmström. Managerial Incentive Problems: A Dynamic Perspective. *Review of Economic Studies*, 66(1): 169–82, January 1999

David S Scharfstein and Jeremy C Stein. Herd Behavior and Investment. *American Economic Review*, 80(3): 465–79, June 1990

Alberto Alesina and Nouriel Roubini. Political Cycles in OECD Economies. *Review of Economic Studies*, 59(4): 663–88, October 1992

Stephen Hansen and Michael McMahon. First impressions matter: Signalling as a source of policy dynamics. Discussion Paper 9607, CEPR, 2013

David Austen-Smith and Jeffrey S Banks. Information aggregation, rationality, and the condorcet jury theorem. *American Political Science Review*, 90(1): 34–45, May 1996

Part 2:

Part 3:

Farrell, Rabin (1996) Cheap Talk, *Journal of Economic Perspectives*, 10, 103-118.

Herman, Chomsky (1988) *Manufacturing Consent: The Political Economy of the Mass Media*, Pantheon Books, Random House, New York NY. (Ch. 1)

Hindman (2009) *The Myth of Digital Democracy*, Princeton University Press, Princeton NJ.

McChesney, Shiller (2003) *The Political Economy of International Communications: Foundations for the Global Debate about Media Ownership and Regulation*, UNRISD Report.

Sobel (2008) Signaling Games, in Sotomayor (Ed.) *Encyclopedia of Complexity and System Science*, Springer.

Part 4:

No single source covers all the material. However, the book

Jackson (2009) *Social and Economic Networks*, Princeton University Press, Princeton NJ.

covers some of it for the first sections. The following is a list of some of the research papers that will guide my lectures:

Calvó-Armengol, Antoni, Eleonora Patacchini, and Yves Zenou. "Peer effects and social networks in education." *The Review of Economic Studies* 76.4 (2009): 1239-1267.

Bramoullé, Yann, and Rachel Kranton. "Public goods in networks." *Journal of Economic Theory* 135.1 (2007): 478-494.

Manski, C. F. "Economic Analysis of Social Interactions." *Journal of Economic Perspectives* 14.3 (2000): 115-136.

Granovetter, Mark. "Threshold models of collective behavior." *American journal of sociology* 83.6 (1978): 1420.

Chwe, Michael Suk-Young. "Structure and strategy in collective action." *American Journal of Sociology* 105.1 (1999): 128-156.

Echenique, Federico, and Roland G. Fryer. "A measure of segregation based on social interactions." *The Quarterly Journal of Economics* 122.2 (2007): 441-485.

Benabou, Roland. "Workings of a city: location, education, and production." *The Quarterly Journal of Economics* 108.3 (1993): 619-652.

Schelling, Thomas C. "Dynamic models of segregation." *Journal of Mathematical Sociology* 1.2 (1971): 143-186.

Cutler, David M., and Edward L. Glaeser. "Are ghettos good or bad?." *The Quarterly Journal of Economics* 112.3 (1997): 827-872.

Edin, Per-Anders, Peter Fredriksson, and Olof Åslund. "Ethnic enclaves and the economic success of immigrants—Evidence from a natural experiment." *The Quarterly Journal of Economics* 118.1 (2003): 329-357.