

Topics in Microeconomic Theory

## **Dynamic markets with asymmetric information**

Summer 2020. University of Bonn  
Francesc Dilmé

### **Objectives**

The goal of this course is to introduce the students to different literatures analyzing dynamic markets with asymmetric information. Students will be brought to the research frontier in topics such as markets for durable goods, markets for lemons, or reputations.

Lectures will be divided into “regular lectures” and “irregular lectures”. In the regular lectures the instructor will cover some papers of the literature using slides. In the irregular lectures students will present the papers using blackboard or slides, and we will discuss them. Everyone is expected to have read the paper presented at each lecture.

### **Schedule**

The class takes place every Monday from 16:15 to 17:45 at Room 0.042. Slides for the class will be available in advance on eCampus. For any question you can contact me at [fdilme@uni-bonn.de](mailto:fdilme@uni-bonn.de) or at Altbau 3.005 (previous appointment required).

### **Grading**

Course requirements. 1. Participation: in some cases I will ask you to read a paper before the class when it will be presented and discussed. 2. Referee report: An important aspect of doing research (and for that matter of a successful academic career) is the ability to evaluate work - most important your own, but also others'. 3. Research Proposal: Soon you will be starting dissertation research; now is the right time to start mulling over ideas. To encourage you to do this I will require a research proposal of around two pages. Use this to look for topics that excite you for your dissertation.

## Literature

- Reputation models:
  - Tadelis, “What’s in a Name? Reputation as a Tradeable Asset”, *American Economic Review*, 1999
  - Mailath and Samuelson, “Who Wants a Good Reputation?”, *Review of Economic Studies*, 2001.
  - Cripps, Mailath and Samuelson, “Disappearing Private Reputations in Long-Run Relationships”, *Journal of Economic Theory*, 2007.
  - Ely and Välimäki, “Bad Reputation”, *Quarterly Journal of Economics*, 2003.
  - † Board and Meyer-ter-Vehn, “Reputation for Quality”, *Econometrica*, 2014.
  - Dilmé, “Reputation Building through Costly Adjustment”, *Journal of Economic Theory*, 2019.
- Markets for durable goods:
  - Coase, “Durability and Monopoly”, *Journal of Law and Economics*, 1972.
  - Conlisk, Gerstner and Sobel, “Cyclic Pricing by a Durable Goods Monopolist”, *Quarterly Journal of Economics*, 1984.
  - Gul, Sonnenschein and Wilson, “Foundations of dynamic monopoly and the Coase conjecture”, *Journal of Economic Theory*, 1986.
  - Board and Pycia, “Outside Options and the Failure of the Coase Conjecture”, *American Economic Review*, 2014.
- Market for lemons:
  - Janssen and Roy, “Dynamic Trading in a Durable Good Market with Asymmetric Information”, *International Economic Review*, 2002.
  - Hörner and Vieille, “Public vs Private Offers in the Market for Lemons”, *Econometrica*, 2009.

- Kim, “Information about Sellers’ Past Behavior in the Market for Lemons”, *Journal of Economic Theory*, 2017.
- Daley and Green, “Waiting for News in the Market for Lemons”, *Econometrica*, 2012.
- Kaya and Kim, “Trading dynamics with private buyer signals in the market for lemons,” *Review of Economic Studies*, 2018.
- Bargaining with asymmetric information:
  - Abreu and Gul, “Bargaining and reputation,” *Econometrica*, 2000.
  - Gul and Sonnenschein, “On Delay in Bargaining with One-Sided Uncertainty,” *Econometrica*, 1988.
  - Daley and Green, “Bargaining and News,” *American Economic Review*, 2020.
- Dynamic signaling:
  - Noldeke and van Damme, “Signalling in a Dynamic Labour Market”, *Review of Economic Studies*, 1990.
  - Swinkels, “Education Signalling with Preemptive Offers”, *Review of Economic Studies*, 1999.
  - \* Kremer and Skrzypacz, “Dynamic signaling and market breakdown”, *Journal of Economic Theory*, 2007.
  - Best and Quigley, “Persuasion for the Long Run,” 2019.
- Revenue management with strategic buyers:
  - Hörner and Samuelson, “Managing Strategic Buyers”, *Journal of Political Economy*, 2011.
  - “Revenue Management without Commitment: Dynamic Pricing and Periodic Flash Sales”, *Review of Economic Studies*, 2019.