

14 Jan 2011

Topics on Microeconomic Theory

by

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This course attempts to give preliminary and selective introduction on Evolutionary Game Theory and Learning in Games. The main textbook is: *Individual Strategy and Social Structure—An Evolutionary Theory of Institute*, by Peyton Young.

Course Arrangements: A series of lectures on evolutionary game theory and paper presentations by participants.

Outlines of Lectures

1. Overview
2. Varieties of Learning Behaviour
3. Fictitious Play
4. Brief Introduction on Markov Processes
5. Dynamic and Stochastic Stability
6. Adaptive Learning and Small Games
7. Variations on the Learning Process
8. Local Interaction
9. Equilibrium and Disequilibrium Selection in General Games
10. Bargaining
11. Contracts

Evaluation: (1) Paper presentations/Lecture (50%) and (2) End of Term Report: Reports/Comments on presentation given by one of your classmates >>> **NOT YOUR OWN** (50%).

References

I. Evolutionary Game Theory

(1) Books

- Boyd and Peter Richerson (1985): *Culture and the Evolutionary Process*
- Boyd and Peter Richerson (2005): *Not by Genes Alone: How Culture Transformed Human Evolution*
- Boyd and Peter Richerson (2005): *The Origin and Evolution of Cultures*
- Cressman (2003): *Evolutionary Dynamics and Extensive Form Games*
- Fudenberg and Levine (1998): *The Theory of Learning in Game*

Fudenberg and Tirole (1991): *Game Theory*
Maynard Smith (1982): *Evolution and the Theory of Games*
Weibull (1995): *Evolutionary Game Theory*
Young (1998): *Individual Strategy and Social Structure*
Young (2004): *Strategic Learning and its Limits*

(2) Papers (*The Reading List for Paper Presentation will be given in due course*)

Borgers and Sarin (1997): "Learning Through Reinforcement and Replicator Dynamics," *Journal of Economic Theory* **77**, 1-14.
Eddie Dekel, Jeffrey C. Ely, and Okan Yilankaya (2007): "Evolution of Preferences," *Review of Economic Studies*, **74**, 685-704.
Ellison and Fudenberg (1993): "Rules of Thumb for Social Learning," *Journal of Political Economy*, **101**, 612-643.
Ellison and Fudenberg (1995): "Word-of-Mouth Communication and Social Learning," *Quarterly Journal of Economics*, **110**, 1, 93-125.
Ely and Yilankaya (2001): "Nash Equilibrium and the Evolution of Preferences," *Journal of Economic Theory*, **97**, 255-272.
Heller (2004): "An Evolutionary Approach to Learning in a Changing Environment," *Journal of Economic Theory*, **114**, 31-55.
Juang (2001): "Learning from Popularity," *Econometrica*, **69**, 735-747.
Juang (2002): "Rule Evolution and Equilibrium Selection," *Games and Economic Behavior*, **39**, 71-90.
Kandori, M., Mailath, R., and Rob, R. (1993): "Learning, Mutation and Long Run Equilibria in Games," *Econometrica*, **61**, 29-56.
Kandori, M., and Rob, R. (1995): "Evolution of Equilibria in the Long Run: A General Theory and Applications," *Journal of Economic Theory*, **65**, 383-414.
Lambson and Probst (2004): "Learning by Matching Patterns," *Games and Economic Behavior*, **46**, 398-409.
Robson, A. J., and Vega-Redondo, F. (1996): "Efficient Equilibrium Selection in Evolutionary Games with Random Matching," *Journal of Economic Theory* **70**, 65-92.
Young, P. (1993): "The Evolution of Conventions," *Econometrica*, **61**, 57-84.

II. Networks (optional)

Allen, F. and D. Gale (2000), "Financial Contagion," *Journal of Political Economy*, 108, 1-33.

- Bala, V. and Goyal, S. (2000a) "A non-cooperative model of network formation," *Econometrica*, 68, pp 1181-1230.
- Calvó-Armengol, A. (2004), "Job Contact Networks," *Journal of Economic Theory* 115, 191-206.
- Calvó-Armengol, A. and M.O. Jackson (2004), "The Effects of Social Networks on Employment and Inequality," *American Economic Review*, 94(3), 426-454.
- Calvó-Armengol, A. and M.O. Jackson (2009), "Like Father, Like Son: Network Externalities, Parent-Child Correlation in Behavior, and Social Mobility," *American Economic Journal: Microeconomics* 1(1), 124-150.
- Demange, G. (2004), "On group stability in hierarchies and networks," *Journal of Political Economy*.
- Dutta, B., S. Ghosal, and D. Ray (2005), "Farsighted Network Formation," *Journal of Economic Theory* 122(2), 143-164.
- Dutta, B., and Mutuswami, S. (1997), "Stable Networks," *Journal of Economic Theory*, 76, 322-344.
- Ellison, G. (1993), "Learning, Local Interaction, and Coordination," *Econometrica*, 61, 1047-1071.
- Ellison, G. and Fudenberg, D. (1995), "Word-of-Mouth Communication and Social Learning," *The Quarterly Journal of Economics*, 110, 93-126.
- Galeotti, A. and Merlino, L. P. (2009), "Endogenous Job Contact Networks," memo.
- Goyal, S. and Vega-Redondo, F. (2005), "Learning, Network Formation and Coordination," *Games and Economic Behavior*.
- Haller, H. and Sarangi, S. (2005), "Nash Networks with Heterogeneous Links," *Mathematical Social Sciences*, 50, 181-201.
- Jackson, M.O. (2004), "A Survey of Model of Network Formation: Stability and Efficiency," in *Group Formation in Economics; Networks, Clubs and Coalitions*, edited by Gabrielle Demange and Myrna Wooders, Cambridge University Press: Cambridge U.K.
- Jackson, M.O. (2006), "The Economics of Social Networks," Chapter 1 in Volume I of *Advances in Economics and Econometrics, Theory and Applications: Ninth World Congress of the Econometric Society*, edited by Richard Blundell, Whitney Newey, and Torsten Persson, Cambridge

University Press.

Jackson, M.O. (2010), *Social and Economic Networks*, Princeton University Press.

Jackson, M.O. and Watts, A. (2002a), "The Evolution of Social and Economic Networks," *Journal of Economic Theory*, 106(2), 265-295.

Jackson, M.O. and Watts, A. (2002b), "On the Formation of Interaction Networks in Social Coordination Games," *Games and Economic Behavior*, 41(2), 265-291.

Jackson, M.O. and Wolinsky, A. (1996), "A Strategic Model of Social and Economic Networks," *Journal of Economic Theory*, 71(1), 44-74.

Jackson, M.O. and Yariv, L. (2008), "Diffusion, Strategic Interaction, and Social Structure," forthcoming in the *Handbook of Social Economics* (edited by Benhabib, Bisin, Jackson), Elsevier.

<http://www.stanford.edu/~jacksonm/diffusionchapter.pdf>

Morris, S. (2000), "Contagion," *Review of Economic Studies*, 67: 57-78.

Schelling, T. (1971), "Dynamic Models of Segregation," *Journal of Mathematical Sociology*, 1, 143-186.

Vega-Redondo, F. (2006), "Building up Social Capital in a Changing World," *Journal of Economic Dynamics and Control*, 30(11), 2305-2338.

Watts, A. (2001), "A Dynamic Model of Network Formation," *Games and Economic Behavior*, 34, pp 331-341.

III. Preferences/Reciprocity (optional)

Bolton and Ockenfels (2000): "ERC: A Theory of Equity, Reciprocity, and Competition," *American Economic Review*, **90**, 166-193.

Charness and Rabin (2002): "Understanding Social Preferences with Simple Tests," *Quarterly Journal of Economics*, **117**, 817-869.

Dwfwenberg and Kirchsteiger (2004): "A Theory of Sequential Reciprocity," *Games and Economic Behavior*, **47**, 268-298.

Engelmann and Strobel (2004): "Inequality Aversion, Efficiency, and Maximin Preferences in Simple Distribution Experiments," *American Economic Review*, **94**, 857-869.

Fehr and Schmidt (1999): "A Theory of Fairness, Competition, and Cooperation," *Quarterly Journal of Economics*, **114**, 817-868.

Rabin (1993): "Incorporating Fairness into Game Theory and Economics," *American Economic Review*, **83**, 1281-1302.