

Academic Year: (2017 / 2018)

Review date: 26-09-2017

Department assigned to the subject: Department of Economics

Coordinating teacher: CORCHON DIAZ, LUIS CARLOS

Type: Electives ECTS Credits : 4.0

Year : 2 Semester : 2

STUDENTS ARE EXPECTED TO HAVE COMPLETED

Microeconomics I, Microeconomics II and Microeconomics III

COMPETENCES AND SKILLS THAT WILL BE ACQUIRED AND LEARNING RESULTS.

The students will get a good background on the Theory of Contests and will be prepared to make research in this topic at the highest level.

DESCRIPTION OF CONTENTS: PROGRAMME**OUTLINE OF THE COURSE**

Papers marked with a star a classic papers. Papers with an hyphen in front are surveys or recent stuff.

1. Contests. Definition of a contest. Examples.

- Corchón, L. (2007). "The theory of contests: a survey". *Review of Economic Design* 11, 69, 100.

2. Contest Success Functions. Tullock, Linear, Hirschleifer, All pay auction and others. Microfoundations: Axiomatization. The setting of a single decider. Cooperative foundations.

* Tullock, G. (1980). "Efficient Rent-Seeking. In J. M. Buchanan, R. D. Tollison and G. Tullock (eds.) *Towards a Theory of a Rent-Seeking Society*, Texas A&M University Press: 97-112.

* Hillman, A. and Riley, J. (1987). Politically Contestable Rents and Transfers. *Economics and Politics*, 1, 3, 17-39.

* Hirschleifer, Jack (1989), Conflict and Rent-Seeking Success Functions: Ratio vs. Difference Models. *Public Choice* 63, 101,112.

* Skaperdas, S. (1996): Contest Success Functions. *Economic Theory* 2, 283-290.

* Baye, M., Kovenock, D., de Vries, C. (1996). "The all-pay auction with complete information". *Economic Theory*, 8, 2, 291-305.

- Clark, D. and C. Riis (1998): Contest Success Functions: An Extension. *Economic Theory* 11, 201-204.

- Corchón, L. (2000): "The Allocative Effects of Rent-Seeking." *Journal of Public Economic Theory* 2, 4, 483-491.

- Corchón, L. and M. Dahm (2010). "Foundations for Contest Success Functions". *Economic Theory*, 43, 1 81-98.

- Jia, H., Skaperdas, S., Vaidya, S. (2013). "Contest functions: Theoretical foundations and issues in estimation," *International Journal of Industrial Organization*, 31, 3, 211-222.

- Corchón, L. and C. Beviá (2015). "Relative Difference Contest Success Function". *Theory and Decision*, 78, 377-398, 2015.

3. Properties of Equilibrium and Applications. Symmetric Contests:

Existence, comparative statics and uniqueness of equilibrium. Asymmetric Contests: Basic properties in a special case. Applications: Group contests, rent-seeking and economic performance, sabotage. Biology

* Olson, M. (1965): *The Logic of Collective Action*. Harvard University Press. Chapters 1 and 2.

* Perez-Castrillo, D. and T. Verdier (1992): A General Analysis of Rent-Seeking Games. *Public Choice* 73, 335-50.

- E. Glaezer, R. La Porta, F. Silanes and A. Shleifer (2004): Do Institutions Cause Growth? *Journal of Economic Growth* 9, 271-303.

- Cornes, R., and R. Hartley (2005). "Asymmetric Contests with General Technologies. *Economic Theory* 26, 4, 923-946.

- Beviá, C. and L. Corchón (2006). "Rational Sabotage with Heterogeneous Agents". *Berkeley Electronic J. in Theoretical Econ., Topics*, 6, 1.

- Corchón, L. (2007). "The theory of contests: a survey", op cit.

- Chowdhury, S.M., Gürtler, O. (2015). "Sabotage in Contests: A Survey". *Public Choice*, 164, 1, 135-155.

- Ostreihner, R., Pruett-Jones, S., Heifetz, A. (2012) "Asymmetric contests at the nest". *Behavioral Ecology and Sociobiology*, 66, 9, 1237-1246.

4. Extensions. Centralized vs decentralized contests. Auctions and contests. Entry. Affirmative action. Networks.
- Azmat, G., and Möller, M. (2009). Competition amongst Contests. *RAND Journal of Economics*, 40, 743-768.
 - Yates, A. (2011). "Winner-pay contests". *Public Choice*, 147, 1, 93-106.
 - Brown, J. (2011) "Quitters Never Win: The (Adverse) Incentive Effects of Competing with Superstars". *J. of Political Economy* 119, 5, 982-1013
 - Franke, J. (2012). The Incentive Effects of Leveling the Playing Field: An Empirical Analysis of Amateur Golf Tournaments". *Applied Economics* 44, 9, 1193-1200.
 - Franke, J. (2012). "Affirmative Action in Contest Games". *European Journal of Political Economy* 28, 1, 105-118.
 - Calsamiglia, C., Franke, J., Rey-Biel, P. (2013). "The Incentive Effects of Affirmative Action in a Real Effort Tournament". *Journal of Public Economics* 15-31.
 - Franke, J. and T. Öztürk (2015). Conflict Networks (2015). *Journal of Public Economics*, 126, 104-113
 - Corchón, L., Beviá, C. (2015). "Centralized vs Decentralized Contests". *Economics Letters*, 137(C), 32-35
5. Welfare Properties of Contests. Welfare losses of monopoly and the Coase theorem in rent-seeking societies. The design of optimal contests. Commitment problems.
- Fullerton, R. L., McAfee, P. (1999). "Auctioning Entry into Tournaments". *Journal of Political Economy*, 107, 3, 573-605.
 - Corchón, L. (2007). "The Theory of Contests: a Survey", op. cit.
 - Corchón, L. and M. Dahm (2010). "Welfare Maximizing Contest Success Functions when the Planner Cannot Commit". *Journal of Mathematical Economics*, 47, 3, 309-317.
 - Franke, J., C. Kanzow, W. Leininger and A. Schwartz (2014). "Lottery versus All Pay Auction Contests: A Revenue Dominance Theorem". *Games & Economic Behavior* 83, 116-126.
 - Nitzan, S. and Mealem, Y. (2015). "Discrimination in Contests". WP
6. Dynamic contests. Two stage contests. Incentives to pre commit. Who should play First? Grand Contests. Endogenous strength.
- * Dixit, A. (1987). "Strategic Behavior in Contests". *American Economic Review*, 77, 5, 891-898.
 - Baik, K. and J. Shogren (1992). "Strategic Behavior in Contests: Comment" *American Economic Review*, 82, 1, 359-362.
 - Klumpp, T. and M. Polborn (2006). "Primaries and the New Hampshire Effect". *Journal of Public Economics* 90, 1073-1114.
 - Konrad, K. (2012). "Dynamic Contests and the Discouragement Effect," *Revue d'économie politique*, 122, 2, 233-256.
 - Corchón, L. and C. Beviá (2013). "Endogenous Strength in Conflicts". *International Journal of Industrial Organization*, 31, 3, 195-306.
7. Contests with ties and applications to sports
- Szymanski, S. (2003). "The Assessment: The Economics of Sport". *Oxford Review of Economic Policy*, 19, 4, 467-77.
 - Cohen, C. and Sela, A. (2007). "Contests with Ties". *The B.E. Journal of Theoretical Economics*, 7, 1.
 - Blavatsky, P. R., (2010). "Contest success function with the possibility of a draw: axiomatization". *J. of Mathematical Economics* 46, 2, 267-276.
 - Yildizparlak, A. (2014). "An Application of Contest Success Functions for Draws on European Soccer". *Journal of Sports Economics*, July, 12, 2017.
8. Contests with incomplete information
- Malueg, D., and Yates, A., (2004). "Rent seeking with private values", *Public Choice*, 119, 161-178.
 - Wasser, C., (2013). "Incomplete information in rent-seeking contests", *Economic Theory*, 53, 1, 239-268
9. Experiments
- Dechenaux, E., Kovenock, D., Sheremeta, R. (2015). "A Survey of Experimental Research on Contests, All-Pay Auctions and Tournaments". *Experimental Economics*, 18, 609-669, 2015.
10. War. Rationalist explanations for wars. Are democracies more or less prone to wars than autocracies? How to avoid war.
- * Hirshleifer, J. (1991). "The Paradox of Power." *Economics & Politics* 3, 177-200.
 - * Skaperdas, S. (1992). "Cooperation, conflict, and power in the absence of property rights." *American Economic Review* 82, 4, 720-739.
 - * Fearon, J. (1995). Rationalist Explanations for War. *International Organization* 49: 379-414.
 - * Bueno de Mesquita, B., Smith, A., Siverson, R., and J. Morrow (2003). *The Logic of Political Survival*. The MIT Press.
 - Garfinkel, M. and S. Skaperdas (2007). *Economics of Conflict: An Overview*." T. Sandler and K. Hartley (ed.), *Handbook of Defense Economics*, N. Holland.

- Jackson, M., Morelli, M. (2007). Political Bias and War. *American Economic Review* 97, 4, 1353-1373.
- Jackson, M., Morelli, M. (2009). "The Reasons for Wars. An Updated Survey". C. Coyne (ed.) *Handbook on the Political Economy of War*, Elgar.
- Beviá, C. and L. Corchón (2010). "Peace Agreements without Commitment". *Games and Economic Behavior*, 68, 469-487.
- Corchón, L. and A. Yildizparlak (2013). "Give Peace a Chance: The Effect of Asymmetric Information on Peace". *Journal of Economic Behavior and Organization* 92, 116-126
- Baliga, S. and T. Sjoström (2013). "Bargaining and War: A Review of Some Formal Models". *Korean Economic Review*, 29(2), 235-266.

11. Presentation of three faculty members of their latest research.

LEARNING ACTIVITIES AND METHODOLOGY

Students are expected to attend lecture, do home works every other week, read papers before lecture, prepare a paper presentation and do a final exam.

ASSESSMENT SYSTEM

During the course I will deliver 6 problems as homework. They will be 30% of the final grade

Presentation of a paper chosen by the student but agreed upon with the instructor 30% of the final grade

Final exam 40%. The student can choose 4 questions (each from a different topic) including one regarding one of the papers presented made by faculty members.

% end-of-term-examination:	40
% of continuous assessment (assignments, laboratory, practicals...):	60

ADDITIONAL BIBLIOGRAPHY

- Bennedsen, Morten, and Sven E. Feldmann.. Lobbying legislatures, *Journal of Political Economy*, 2002
- Caillaud, Bernard, and Jean Tirole Consensus building: how to persuade a group, *The American Economic Review*, 2007
- Dal Bo, Ernesto Bribing Voters, *American Journal of Political Science* , 2007
- Dekel, Eddie, Matthew O. Jackson, and Asher Wolinsky Vote buying: General elections, *Journal of Political Economy*, 2008
- Grossman, Gene M., and Elhanan Helpman Special interest politics, MIT press, 2001
- Morgan, John, and Felix Várdy. 120.5 (2012): 986-1026. Mixed motives and the optimal size of voting bodies, *Journal of Political Economy*, 2012