

Reading List for Weyl Price Theory Lectures, Fall 2011

These readings are divided into eight categories:

1. Required: all students should read these.
2. References: these are the most directly relevant books and papers for a deeper treatment of the relevant material.
3. Technical depth: these provide deeper or more general mathematical treatment of the topics.
4. Empirical and policy applications: these measure the economic forces raised in the material, use the insights generated by the theory to make concrete prescriptions for policies or institutions or both.
5. Historical interest: these readings trace the origins of the ideas lying behind the relevant material, either by directly citing the original sources or secondary sources in the history of economics.
6. Alternative perspectives: lectures present largely my views on economic issues, which for the most part mirror the mainstream consensus in the field, to the extent one exists. But of course economists disagree on many issues and thus I have provided readings with contrasting perspectives, especially where there are views of prominent economists that contrast with mine.
7. Current events: these readings, drawn from non-academic periodicals (especially *The Economist*) illustrate the applicability of the principles learned in class to current affairs.
8. Humanistic: these readings bring out the themes we are studying from a humanistic (mostly literary or philosophical) perspective

I. The Theory of Monopoly

A. Required

1. Lecture 20 of *Economic Theory* by Gary S. Becker
2. “A Restatement of the Theory of Monopoly” by E. Glen Weyl and Michal Fabinger (Sections 1-3)
3. “Learning from Seller Experiments in Online Auction Auctions” by Liran Einav et al. (Section 1 and Subsubsection 3.2.1)
4. “Monopoly and Resource Allocation” by Arnold Harberger
5. “The Simple Economics of Optimal Auctions” by Jeremy I. Bulow and John Roberts (Section VI)

B. References

1. “The First-Order Approach to Merger Analysis” by Sonia Jaffe and E. Glen Weyl (Introduction and Sections II-IV)
2. “Multimarket Oligopoly: Strategic Complements v. Substitutes” by Jeremy I. Bulow et al.
3. “Teaching the Lerner Rule with Uncertainty” by Michael Salinger
4. “Optimal Pricing Mechanisms with Unknown Demand” by Ilya Segal
5. “A Restatement of the Theory of Monopoly” by E. Glen Weyl and Michal Fabinger
6. “Pass-Through as an Economic Tool” by E. Glen Weyl and Michal Fabinger

7. “The First-Order Approach to Merger Analysis” by Sonia Jaffe and E. Glen Weyl
 8. “Duopoly Models with Consistent Conjectures” by Timothy F. Bresnahan
 9. “The Impact of Integration on Productivity and Welfare Distortions Under Monopolistic Competition” by Swati Dhingra and John Morrow
 10. CV survey by RBB economics (FILL IN)
- C. Technical depth
1. “Robust Predictions for Bilateral Contracting with Externalities” by Ilya Segal and Michael D. Whinston
 2. *Theory of Conjectural Variations* by Charles Figuères, Alain Jean-Marie, Nicolas Quérou and Mabel Tidball
 3. *The Foundations of Economic Analysis* by Paul D. Samuelson (chapter on qualitative economics, FILL IN)
- D. Empirical and policy applications
1. “Estimating the Residual Demand Curve Facing a Single Firm” by Jonathan B. Baker and Timothy F. Bresnahan
 2. “Using Elasticities to Derive Optimal Income Tax Rates” by Emmanuel Saez
 3. “Estimation Cost Function Parameters Without Using Cost Data: Illustrated Methodology” by James N. Rosse
 4. “Empirical Models of Auctions” by Susan Athey and Philip A. Haile
 5. “The Gains from Merger or Collusion in Product-Differentiated Industries” by Jonathan B. Baker and Timothy F. Bresnahan
 6. “The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity” by Marc J. Melitz
- E. Historical interest
1. “Of Monopoly” by A.-Augustin Cournot, Chapter V of *Researches into the Mathematical Principles of the Theory of Wealth* (online)
 2. “The Concept of Monopoly and the Measurement of Monopoly Power” by Abba P. Lerner
 3. *Secrete Origins of Modern Microeconomics* by Robert B. Ecklund, Jr. and Robert F. Hébert
 4. *Agenda for Progressive Taxation* by William Vickrey
 5. *The Mathematical Groundwork of Economics* by Arthur L. Bowley
- F. Alternative perspectives
1. *Capitalism, Socialism and Democracy* by Joseph Schumpeter
 2. “Market Power Screens Willingness to Pay” by E. Glen Weyl and Jean Tirole
 3. “Retos para un Mercado de Libre Competencia: El Control de Fusiones y Cárteles” by E. Glen Weyl
 4. “Durability and Monopoly” by Ronald Coase
 5. “X-Inefficiency Xists – Reply to an Xorcist” by Harvey Leibenstein
 6. “Contestable Markets” by William J. Baumol
 7. “Looking at the Cost Side of `Monopoly” by Karl Aiginger and Michael Pfaffermayr
- G. Current events: “2010 United States Merger Guidelines”
- H. Humanistic

1. *The Politics* by Aristotle, Volume 1, Book I (online)
 2. *Catch 22* by Joseph Heller
- II. Decision Theory
- A. Required
1. “Internal Consistency of Choice” by Amartya Sen (Section 3)
 2. “On the ‘Corroboration’ of Theories” by Hilary Putnam
 3. *A Course in Microeconomic Theory* by David M. Kreps (Chapter 3)
 4. “Risk-Aversion and Expected Utility Theory” by Matthew Rabin
- B. References
1. *Notes on the Theory of Choice* by David Kreps
 2. *Reasons and Persons* by Derek Parfit (relevant parts)
 3. *On What Matters* by Derek Parfit
 4. “Decision Theory without Logical Omniscience” by Barton Lipman (Section 1)
 5. “The Ambiguity Aversion Literature” by Nabil Al-Najjar and Jonathan Weinstein
- C. Technical depth
1. “Agreeing to Disagree” by Robert J. Aumann
 2. “A Dual-Self Model of Impulse Control” by Drew Fudenberg and David K. Levine
 3. “A Model of Reference-Dependent Preferences” by Botand Köszegi and Matthew Rabin
 4. “Self Confidence and Personal Motivation” by Roland Bénabou and Jean Tirole
- D. Empirical and policy applications
1. “Neoclassical Theory v. Prospect Theory” by John List
 2. “Optimal Replacement of GMC Bus Engines” by John Rust
 3. “Subjective Well-Being, Income, Economic Development and Growth” by Daniel W. Sacks et al.
 4. *The Economics of Risk and Time* by Christian Gollier
 5. “Coherent Arbitrariness” by Dan Ariely et al.
 6. “How General are Risk Preferences?” by Liran Einav et al.
 7. “Mistakes in Choice-Based Welfare Analysis” by Botand Köszegi and Matthew Rabin
 8. “On Eliciting the Value of Public Projects from Economic Juries” by Daniel McFadden
 9. “Why we should not make mean log of wealth big though years to act are long” by Paul A. Samuelson
- E. Historical interest
1. *Prior Analytics* by Aristotle
 2. *Meditations on the First Philosophy* by René Descartes
 3. “Exposition of a New Theory of the Measurement of Risk” by Daniel Bernoulli
 4. “Who Discovered Bayes’s Theorem” by Stephen M. Stigler
 5. *Foundations of the Theory of Probability* by Andrey Kolmogorov
 6. *Theory of Games and Economics Behavior* by John Von Neumann and Oskar Morgenstern
 7. *The Foundations of Statistics* by Leonard J. Savage

8. “The Utility Analysis of Choices Involving Risk” by Milton Friedman and L. J. Savage
 9. “Prospect Theory” by Daniel Kahneman and Amos Tversky
- F. Alternative perspectives
1. “Is it Always Rational to Satisfy Savage’s Axioms” by Izhak Gilboa et al.
 2. “The Well-Calibrated Bayesian” by A. P. Dawid
 3. *Das Kapital* by Karl Marx
 4. “The Case for Mindless Economics” by Faruk Gul and Wolfgang Pesendorfer
 5. “The Methodology of Positive Economics” by Milton Friedman
 6. *Theory of Probability* by Bruno de Finetti
- G. Current events: None
- H. Humanistic
1. *The Dynamics of Rational Deliberation* by Brian Skyrms
 2. “Whose Rights?” by E. Glen Weyl
 3. “Interpretations of Probability” by Alan Hájek
 4. “Uncommon Priors Require Origin Disputes” by Robin Hanson
- III. Product Design
- A. Required
1. “Monopoly, Quality and Regulation” by A. Michael Spence (Sections 1-3)
 2. “A Price Theory of Multi-Sided Platforms” by E. Glen Weyl (Introduction and I-III)
 3. “Multidimensional Heterogeneity and Platform Design” by André Veiga and E. Glen Weyl
 4. “Electoral Competition”, Chapter 3 of *Political Economics* by Torsten Persson and Guido Tabellini (available at https://chalk.uchicago.edu/webapps/portal/frameset.jsp?tab_tab_group_id=_2_1&url=%2Fwebapps%2Fblackboard%2Fexecute%2FLauncher%3Ftype%3DCourse%26id%3D_2977_1%26url%3D)
- B. References
1. *The Spatial Theory of Voting* by James M. Enelow and Melvin J. Hinch
 2. “The Economics of Advertising” by Kyle Bagwell
 3. “What Drives Media Slant? Evidence from the U. S. Daily Newspaper Market” by Matthew Gentzkow and Jesse M. Shapiro
 4. “Contract Pricing in Consumer Credit Markets” by Liran Einav et al.
 5. “A Rational Theory of the Size of Government” by Allan H. Meltzer and Scott F. Richard
 6. “Imperfect Competition in Two-Sided Matching Markets” by Eduardo M. Azevedo
- C. Technical depth: “Hedonic Prices and Implicit Markets” by Sherwin Rosen
- D. Empirical and policy applications
1. “Market Power Screens Willingness-to-Pay” by Jean Tirole and E. Glen Weyl
 2. “Entry Deterrence in the Ready-to-Eat Cereal Market” by Richard Schmalensee
 3. “Hubs and High Fares” by Severin Borenstein
 4. *Congress* by Keith T. Poole and Howard Rosenthal
 5. “Product Choice and Oligopoly Market Structure” by Michael J. Mazzeo

- E. Historical interest
 - 1. Section 8 of Chapter XIV in Book V of Alfred Marshall's *Principles of Economics*
 - 2. "Monopoly, Non-linear Pricing and Imperfect Information: The Insurance Market" by Joseph E. Stiglitz
 - 3. "Equilibrium in Competitive Insurance Markets: An Essay on the Economics of Imperfect Information" by Michael Rothschild and Joseph Stiglitz
 - 4. "Relaxing Price Competition Through Product Differentiation" by Avner Shaked and John Sutton
 - 5. *An Economic Theory of Democracy* by Anthony Downs
- F. Alternative perspectives
 - 1. *Exit, Voice and Loyalty* by Albert O. Hirshmann
 - 2. *The Innovator's Dilemma* by Clayton M. Christensen
 - 3. "Ironing, Sweeping and Multidimensional Screening" by Jean-Charles Rochet and Philippe Choné
- G. Current events: None
- H. Humanistic: *Network Power* by David Grewal