

The Microeconomics of Competition, Coordination, Cooperation and Conflict

Economics 700, Fall 2021
Instructors: Samuel Bowles & Shih-Yen Pan
University of Massachusetts at Amherst

Objective: to introduce fundamental microeconomic concepts relevant to the generic problem of coordinating social interactions among autonomous actors, with particular attention to coordination failures and policy applications in capitalist economies.

Prerequisites: admission to the doctoral program in economics and economics 751 (may be taken concurrently), or permission of the instructor. Students from doctoral programs in resource economics, management, and the other social sciences, biology, engineering and other fields having adequate mathematics background are welcome; but do check with the instructor to make sure you are adequately prepared. Except in unusual circumstances, I do not welcome auditors.

Course requirements: three problem sets ("PS"1, 2, and 3: 5% each), two in class exams (35% each), class presentations and participation in class discussions of the readings (15%). Except in unusual circumstances, late submissions of work will not be considered.

Readings: The readings are from my, *Microeconomics: Behavior, Institutions, and Evolution* (Princeton University Press, 2004). Sung-Ha Hwang's game theory tutorial memo and other assigned readings are in the course drop box, to which all students have been or will be invited.

Coordinates (logistical): Email (samuel.bowles@gmail.com) to contact me. I will attempt to respond within 24 hours to questions about course material, copying your post and my response to the entire class (unless you ask me not to.) If you would like to meet (remotely for now) with me, we can make an appointment via email.

Coordinates (scientific) Check out <https://sites.santafe.edu/~bowles/> my web page, if you are curious about my own research. I am part of the CORE project (Curriculum Open-access Resources in Economics). Find out more at www.core-econ.org. Or check out the VOX essay posted here <http://voxeu.org/article/new-paradigm-introductory-course-economics>. Since 1986 I have also been a member of the Analytical Marxism Seminar. I also teach at the University of Siena, and direct the Behavioral Sciences Program at the Santa Fe Institute, whose summer school in computational social science and other programs may be of interest.

I also occasionally blog at *Psychology Today*, *VOX EU* and other outlets e.g. <https://www.psychologytoday.com/experts/samuel-bowles> and (on the relationship between Marxian and post-Walrasian economics) <https://voxeu.org/article/marx-and-modern-microeconomics>. Aside from some writing about COVID-19 (<https://www.pnas.org/content/118/25/e2104912118/tab-article-info>; and <https://voxeu.org/article/coming-battle-covid-19-narrative>) most of my current research is about wealth inequality and the creation of a new policy paradigm <https://www.aeaweb.org/articles?id=10.1257/pandp.20201001>.

READING LIST AND MASTER SCHEDULE
(draft, subject to change)

September

- 1 The wealth of nations and people, and the challenge to economics. Prologue
- 8 Society: Institutions as the rules of the game. Ch 1
- 13 People: Self Interest and Social Preferences. Ch 3
- 15 Application: Mechanism design for public goods. “Incentives and social preferences”
- 17 Tutorial: Game theory. Sung Ha Hwang, “Classical game theory” pp 1-6.
- 20 PS#1 due
- 22 Coordination failures and institutional responses. Chapter 4
- 24 Tutorial: PS#1 2.30-4.30
- 27 Application: Mechanism design with social interactions. “Social Interactions and the Social Multiplier”
- 29 Exchange: Principals and Agents Ch 7 (pp 233-238; 249-261; 264-266)

October

- 1 Class party (outdoors, weather and COVID permitting)!
- 4 Credit markets, wealth inequality, and allocative inefficiency: Chapter 9
- 13 Labor markets and firms Chapter 8
- 18 Applications: Contractual incompleteness and the distribution of rents, monopsony and minimum wages. Bowles & Halliday, Employment, Competition, and Inequality pp. 1-20
- 29 PS#2 due

November

- 1 Tutorial: PS#2 and review
- 3 First exam
- 8 The whole economy model. Bowles & Halliday, Employment, Competition, and Inequality pp. 20-39. (If you are curious about the measurement of the Gini coefficient, read the Bowles-Carlin paper in “Miscellaneous readings”.)
- 15 Capitalism: Innovation and inequality. Ch 10, plus “Rents” memo
- 17 Possible lecture if we need extra time.
- 19 PS#3 due
- 22 Tutorial: PS#3
- 23 Applications: Meetings with project presentation groups
- 29 Applications: Presentations

December

- 6 Tutorial: Review for exam
- 8 Second exam

Meetings will be held at 6.15-8.15 in Crotty 209 unless otherwise announced.