

Mediation in Contract Theory

In many contracting relationships, the parties cannot pre-commit to all decisions that have to be taken during the course of the relation. In these situations, optimal contracting involves the use of a mediator. A mediator is a communication device which makes action recommendations contingent on communication by the parties. Next to the seminal contributions on mediation, the course will cover work on the relation between mediation and optimal mechanism design as well as more applied papers.

Change in time and venue: Wednesdays, 14-16h (c.t.), Lennestr. 37, Seminarraum, 2nd floor.

First meeting: Wed, April 17.

Reading list (non-exhaustive)

Basics

- Myerson, R. (1982), "Optimal coordination mechanisms in generalized principal-agent problems", *Journal of Mathematical Economics*, 10, 67-81.
- Myerson, R. (1986), "Multistage games with communication", *Econometrica*, 54, 323-358.
- Myerson, R. (1991), "Game theory: analysis of conflict", Harvard University Press (Ch. 6.1-6.3, 6.7, 6.9).
- Forges, F. (1986), "An approach to communication equilibria", *Econometrica*, 54, 1375-1385.

Communication

- Blume, A., O. Board, and K. Kawamura (2007), "Noisy talk", *Theoretical Economics*, 2, 395-440.
- Goltsman, M., J. Hörner, G. Pavlov, and F. Squintani (2009), "Mediation, arbitration and negotiation", *Journal of Economic Theory*, 144, 1397-1420.
- Ivanov, M. (2010), "Communication via a strategic mediator", *Journal of Economic Theory*, 145, 869-884.

Mechanism Design

- Bester, H. and R. Strausz (2007), "Contracting with imperfect commitment and noisy communication", *Journal of Economic Theory*, 136, 236-259.
- Rahman, D. and I. Obara (2010), "Mediated partnerships", *Econometrica*, 78, 285-308.
- Rahman, D. (2012), "But who will monitor the monitor?", *American Economic Review*, 102, 2767-2797
- Strausz, R. (2012), "Mediated contracts and mechanism design", *Journal of Economic Theory*, 147, 1280-1290.

Conflict

- Mitusch, K. and R. Strausz (2005), "Mediation in situations of conflict and limited commitment", *Journal of Law, Economics, and Organization*, 21, 467-500.
- Hörner, J., M. Morelli, and F. Squintani (2011), "Mediation and peace", mimeo.

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- Goltsman, M. and G. Pavlov (2012), "Communication in Cournot Oligopoly", mimeo.

Auction

Matthews, S. and A. Postlewaite (1989), "Pre-play communication in two-person sealed-bid double auctions", *Journal of Economic Theory*, 48, 238-263.

No Mediator

Forges, F. (1990a), "Universal mechanisms", *Econometrica*, 58, 1341-1364.

Forges, F. (1990b), "Equilibria with communication in a job market example", *Quarterly Journal of Economics*, 105, 375-398.

Aumann, R. and S. Hart (2003), "Long cheap talk", *Econometrica*, 71, 1619-1660.

Gerardi, D. (2004), "Unmediated communication in games with complete and incomplete information", *Journal of Economic Theory*, 114, 104-131.

Transparency

Izmalkov, S., M. Lepinski, and S. Micali (2011), "Perfect implementation", *Games and Economic Behavior*, 71, 121-140

Voting

Gerardi, D. and L. Yariv (2007), "Deliberative Voting", *Journal of Economic Theory*, 134, 317-338.