Tsinghua Distinguished Lecture on Theoretical and Behavioral Economics

Friday May 6th, 2016: 3:30pm to 5:00pm, Weilun Building Room 409

Professor Vincent P. Crawford

"Efficient Mechanisms for Level-k Bilateral Trading"

Abstract:

I revisit Roger Myerson and Mark Satterthwaite's (1983; "MS") analysis of mechanism design for bilateral trading, replacing equilibrium with a nonequilibrium "level-k" model that predicts initial responses to games, and focusing on direct mechanisms. The revelation principle fails for level-k models. However, if only level-k-incentive-compatible mechanisms are feasible, MS's result that no incentive-compatible mechanism can assure ex post efficiency generalizes. If traders' levels are observable, MS's characterization of incentive-efficient mechanisms generalizes, with one novel feature. If they're unobservable, only posted-price mechanisms are level-k-incentive-compatible and -incentive-efficient. If non-level-k-incentive-compatible direct mechanisms are feasible, level-k-incentive-efficient mechanisms may differ more extensively from equilibrium-incentive-efficient mechanisms.

Professor Vincent Crawford is *Drummond Professor of Political Economy* and *Fellow of All-Souls College* at University of Oxford, and *Distinguished Professor Emeritus* and *Research Professor* at University of California San Diego. His research has established seminal results and research programs in microeconomic theory, including in behavioral game theory, allocation problems, bargaining, matching and strategic communication, among other areas. Among his editorial positions, he serves as Editor of the journal *Games and Economic Behavior*, and served as Co-Editor of the *American Economic Review* from 2005 to 2009. Professor Crawford is Fellow of the *Econometric Society*, Fellow of the *American Academy of Arts and Sciences*, Fellow of the *British Academy* and Member of *Academia Europaea*. Additional information about our distinguished speaker and his research can be found at his website: http://econweb.ucsd.edu/~v2crawford/