

Syllabus for Reading Group in "Authority and Delegation"

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Arrow (1974) argues that organisations are one means of achieving the benefit of collective action instead of market transactions. Cooperation leads to productivity gains because people have different and complementary talent, and specialisation fosters efficiency. However, collective action requires solutions to problems of coordination and conflict in situations in which the price mechanism is suspended. Within that frame the allocation of decision rights becomes relevant.

Especially in recent times, a flow of contributions has concerned formal models for the analysis of authority and delegation. Authority and delegation are topics that belong to the intersection among the theory of organisation, the economics of uncertainty and the economics of information. The purpose of the reading group is to get familiar with that stream of literature.

The provisional list of topics is as follows:

- authority and uncertainty
- formal and real authority
- information and optimal delegation
- professional advice and experts

Provisional reading list:

Aghion P. and Tirole, J. 1997, Formal and Real Authority in Organizations, *Journal of Political Economy*, 105: 1-29

Alonso R. and Matouschek N. 2009, Optimal Delegation, *Review of Economic Studies*, 75: 259-293

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Armstrong M. and Vickers J. 2010, A Model of Delegated Project Choice, *Econometrica*, 78: 213-244

Arrow K. 1974, *The Limits of Organization*, New York, Norton

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- Li, W. (2007) Changing One's Mind when the Facts Change: Incentives of Experts and the Design of Reporting Protocols. *Review of Economic Studies* 74: 1175-1194
- Li, H. and Suen, W. (2004) Delegating Decision to Experts. *Journal of Political Economy* 112: s311-s335
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- Ottaviani M. and Sorensen P. 2006, Professional Advice, *Journal of Economic Theory*, 126: 20-146
- Prendergast C.J. 1995, A Theory of Responsibility in Organizations, *Journal of Labor Economics*, 13: 387-400

Simon H. 1951, A Formal Theory of the Employment Relationship, *Econometrica* 19: 293-305

Szalay, D. (2005) The Economics of Clear Advice and Extreme Options. *Review of Economic Studies* 72: 1173-1198

Van Den Steen, E. (2009) Authority versus Persuasion. *American Economic Review* 99: 448-453

Van Den Steen E. 2010, Interpersonal Authority in a Theory of the Firm, *American Economic Review*, 100: 466-490

Milgrom, P. (1981) Good News and Bad News: Representation Theorems and Applications. *Bell Journal of Economics* 12: 380-391