

# Strategic Communication and Media Economics

## Teacher:

Fabrizio Germano, *Universitat Pompeu Fabra*, Email: Fabrizio.Germano@UPF.Edu.

## Prerequisites:

Students should have taken basic game theory at the graduate or at the advanced undergraduate level.

## Outline:

Communication plays a central role in almost any kind of interaction. Information is transmitted often strategically making the game theoretic analysis of communication an important tool for understanding a variety of real world interactions including news media. The course is intended for students interested in communication and media economics and in applying the theory to potentially different fields. The course will be run as a research seminar that will start with a few core lectures (3x2hours) on the basic theory and will then shift to applications in media economics (2x2hours). It will conclude with a class with presentations by the students (1x2hours). The grade will be based on the final presentation; class participation will also count. (Topics below marked with an asterisk \* will likely not be covered in class but can be taken up in the final presentations.)

## Part One: Basic Theory

1. Signaling Games
2. Cheap Talk Games
3. \*Multi-Dimensional Cheap Talk Games
4. Persuasion Games and Verifiability
5. \*Expert Advice
6. \*Two-Sided Markets

## **Part Two: Political Economy of Media Markets**

- 1. Media Markets: Some Basic Facts**
- 2. Media Markets: Supply and Demand**
- 3. \*Empirical Media Economics**

## **References**

### **Part One: Basic Theory**

#### **1. Signaling Games**

-- Sobel (2009) Signaling Games, in Sotomayor (ed.) *Encyclopedia of Complexity and System Science*, Springer.

#### **2. Basic Cheap Talk Games**

-- \*Chen, Kartik, Sobel (2008) Selecting Cheap-Talk Equilibria, *Econometrica*, **76**, 375-393.

-- \*Crawford, Sobel (1982) Strategic Information Transmission, *Econometrica*, **50**, 1431-1451.

-- Farrell, Rabin (1996) Cheap Talk, *J Econ Perspectives*, **10**, 103-118.

-- Sobel (2009) Signaling Games, in Sotomayor (ed.) *Encyclopedia of Complexity and System Science*, Springer.

#### **3. \*Multi-Dimensional Cheap Talk Games**

-- Ambrus, Takahashi (2008) Multi-Sender Cheap Talk with Restricted State Space, *Theor Econ*, **3**, 1-27.

-- Battaglini (2002) Multiple Referrals and Multidimensional Cheap Talk, *Econometrica*, **70**, 1379-1401.

-- Blume, Board, Kawamura (2007) Noisy Talk, *Theor Econ*, **2**, 395-440.

-- Chakraborty, Harbaugh (2007) Comparative Cheap Talk, *J Econ Theory*, **132**, 70-94.

-- Chakraborty, Harbaugh (2010) Persuasion by Cheap Talk. *Amer Econ Rev*, **100**, 2361-2382.

-- Levy, Razin (2008) On the Limits of Communication in Multidimensional Cheap Talk: A Comment, *Econometrica*, **75**, 885-894.

-- Sobel (2013) Giving and Receiving Advice, in *Advances in Economics and Econometrics: Theory and Applications, Tenth World Congress*, Acemoglu, Arellano, Dekel (eds.), Cambridge University Press.

#### **4. Persuasion Games and Verifiability**

- Dziuda (2011) Strategic Argumentation, *J Econ Theory*, **146**, 1362-1397.
- Kamenica, Gentzkow (2011) Bayesian Persuasion, *Amer Econ Rev*, **101**, 2590-2615.
- Kartik (2009) Strategic Communication with Lying Costs, *Rev Econ Stud*, **76**, 1359-1395.
- \*Milgrom (1981) Good News and Bad News, *Bell J Econ*, **21**, 380-391.
- Milgrom, Roberts (1986) Relying on Information of Interested Parties, *Rand J Econ*, **17**, 18-32.
- Milgrom (2008) What the Seller Won't Tell You: Persuasion and Disclosure in Markets, *J Econ Persp*, **22**, 115-131.
- Sobel (2009) Signaling Games, in Sotomayor (ed.) *Encyclopedia of Complexity and System Science*, Springer.

#### **5. \*Expert Advice**

- Gerardi, Mclean, Postlewaite (2009) Aggregation of Expert Opinions, *Games Econ Behav.*, **65**, 339-371.
- Krishna, Morgan (2001) A Model of Expertise, *Quart J Econ*, **117**, 747-775.
- Krishna, Morgan (2004) The Art of Conversation: Eliciting Information from Experts through Multi-Stage Communication, *J Econ Theory*, **117**: 147-179
- Sobel (2013) Giving and Receiving Advice, in *Advances in Economics and Econometrics: Theory and Applications, Tenth World Congress*, Acemoglu, Arellano, Dekel (eds.), Cambridge University Press.

#### **6. Two-Sided Markets**

- Armstrong (2006) Competition in Two-Sided Markets, *RAND J Econ*, **37**, 668-691.
- Belleflamme, Peitz (2015) *Industrial Organization: Markets and Strategies*, (2nd ed.), Cambridge University Press. (Chapter 22)
- Rochet, Tirole (2003) Platform Competition in Two-Sided Markets, *J Europ Econ Ass*, **1**, 990-1029.
- Rochet, Tirole (2006) Two-Sided Markets: A Progress Report, *RAND J Econ*, **37**, 645-667.

### **Part Two: Political Economy of Media Markets**

#### **1. Media Markets: Basic Facts**

- Compaine, Gomery (2000) *Who Owns the Media? Competition and Concentration in the Mass Media Industry*, (3<sup>rd</sup> ed.) Routledge.
- McChesney, Schiller (2003) The Political Economy of International Communications: Foundations for the Emerging Global Debate about Media Ownership and Deregulation, *Technology, Business and Society Programme Paper No. 11*, United Nations Research Institute for Social Development.

- Noam (2009) *Media Ownership and Concentration in America*, Oxford University Press.
- Noam (2013) *Who Owns the World's Media?* Mimeo, Columbia University.

## 2. Media Markets: Supply and Demand

- \*Alaoui, Germano (2015) *Time Scarcity and the Market for News*, Mimeo, UPF.
- Blasco, Sobbrío (2012) *Competition and Commercial Media Bias*, *Telecommunications Policy*, **36**, 434-447.
- \*Germano, Meier (2013) *Concentration and Self-Censorship in Commercial Media*, *J Public Econ*, **97**, 117-130.
- \*Herman, Chomsky (1988) *Manufacturing Consent: The Political Economy of Mass Media*, Pantheon Books, New York. (Chapter 1)
- \*Mullainathan, Shleifer (2005) *The Market for News*, *Amer Econ Rev*, **95**, 1031-1053.
- Prat, Strömberg (2013) *The Political Economy of Mass Media*, in *Advances in Economics and Econometrics: Theory and Applications, Tenth World Congress*, Acemoglu, Arellano, Dekel (eds.), Cambridge University Press.
- \*Shapiro (2008) *Competition and Truth in the Market for News*, *J Econ Perspectives*, **22**, 133-154.

## 3. \*Empirical Media Economics

- Benson, Powers (2011) *Public Media and Political Independence: Lessons for the Future of Journalism from Around the World*, Free Press, Washington, DC.
- Boykoff, Boykoff (2004) *Balance as Bias: Global Warming and the US Prestige Press*, *Global Env Change*, **14**, 125-136.
- Cushion (2012) *The Democratic Value of News: Why Public Service Media Matters*, Palgrave MacMillan.
- Della Vigna, Kaplan (2007) *The Fox News Effect: Media Bias and Voting*, *Quart J Econ*, **122**, 1187-1234.
- Djankov, McLiesh, Nenova, Shleifer (2003) *Who Owns the Media?*, *J Law Econ*, **46**, 341-382.
- Frey, Benesch, Stutzer (2007) *Does Watching TV Make Us Happy?* *J Econ Psych*, **28**, 283-313.
- Gentzkow, Shapiro (2010) *What Drives Media Slant? Evidence from US Daily Newspapers*, *Econometrica*, **78**, 35-71.
- Gentzkow, Shapiro (2011) *Ideological Segregation Online and Offline*, *Quart J Econ*, **126**, 1799-1839.
- George, Waldfogel (2003) *Who Affects Whom in Daily Newspaper Markets?*, *J Pol Econ*, **111**, 765-785.
- Hindman (2009) *The Myth of Digital Democracy*, Princeton University Press.
- Petrova (2011) *Inequality and Media Capture*, *J Public Econ*, **92**, 183-212.
- Reuter, Zitzewitz (2006) *Do Ads Influence Editors? Advertising and Bias in the Financial Media*, *Quart J Econ*, **121**, 197-227.
- Strömberg (2004) *Radio's Impact on Public Spending*, *Quart J Econ*, **119**, 189-221.
- Wilbur (2008) *A Two-Sided, Empirical Model of Television Advertising and Viewing Markets*, *Marketing Science*, **27**, 356-378.

strategic communication advice and tools they need to develop and implement successful project and pro-poor reform efforts" (World Bank, 2005). In Africa and other parts of the developing world, the Health Communication Partnership and by media economics. Digital technologies such as the World Wide Web and instant messaging, for example, make it increasingly impossible to differ Strategic Communication Many organizations make the mistake of churning out content without a master plan, according to the Institute for Dynamic Educational Advancement. American University School of Communication's online Master of Arts in Strategic Communication program offers all of the above, in addition to communication theory and practicum courses. Learn more about the online Master of Arts in Strategic Communication. Call 855-725-7614 to speak to one of our admissions representatives or request more information. Strategic communication can mean either communicating a concept, a process, or data that satisfies a long term strategic goal of an organization by allowing facilitation of advanced planning, or communicating over long distances usually using international telecommunications or dedicated global network assets to coordinate actions and activities of operationally significant commercial, non-commercial and military business or combat and logistic subunits. It can also mean the related function within an