

Research Statement

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I am a microeconomist who studies the role of learning in economic institutions. Using pure theory and standard statistical methods, I quantify and rationalize empirical facts at odds with economic theory. For example, why do wars seldom end after peace negotiations; why are auction houses profitable despite commitment considerations; how does competition among experimenters inform public policy? My answers to these questions are found below.

Current Work:

In my job market paper, “Negotiations and the Holding Principle”, I account and rationalize why an increase in the incidence of ceasefires during (peace) negotiations are associated with an increase in the duration of wars. Using a panel of wars fought from 1823 to 2003, I note that after 1914 the share of negotiations bringing an end to wars falls from 40 to 13 percent. I also find that a key factor associated with this trend is that since 1914 wars are more than twice as likely to coincide with ceasefires. To rationalize this phenomenon, I expand Abreu and Gul’s (2000) model of reputational bargaining by allowing the surplus to stochastically decline and allowing players to exert unobservable effort to prevent surplus decline. My main result is that allowing players to exert effort (an analogy of active combat) expedites when players reach an agreement relative to a setting without effort and constant surplus. This is because the observable surplus allows players to quickly deduce their opponent’s willingness to make concessions.

Previously, in “Learning to Commit”, I rationalized why the Coase conjecture fails in real-world art-auctions. Roughly 3 in 10 Impressionist artworks brought up to auction fail to sell and among these paintings, only 1 in 10 artworks were eventually re-offered. This last observation is unexpected since roughly 60 percent of items are brought up to auction after a costly divorce, a death, or debt related issues. Meanwhile, the Coase conjecture predicts that sellers have the incentive to immediately re-offer items failing to sell as soon as possible. I rationalize this phenomenon by studying a sequential, second-price auction model where the seller only commits to the terms of the current auction and not future offerings. The key addition is that buyers have interdependent valuations. My main result is that learning among buyers limits how many times an item can be brought up to auction and (under mild conditions) expected revenues equal those attainable under full commitment. This is because when buyers learn that an item failed to sell, they downgrade their expectations from the interdependent component to valuations and thus their willingness to pay. Learning among buyers, therefore, attenuates the seller’s commitment problem and can account for the lack of serial re-offering in auctions.

Research Agenda:

I conclude by summarizing my research agenda. First, I am studying (with a colleague) the role of competition among researchers over time in the determination of public policy. Our main question is who and how many researchers should a policymaker hire to informedly pick a common policy when experimentation is a costly and time-intensive process. Secondly, I study

(with a different colleague) the interaction between relational (repeated game) and reputational considerations (sender always tells the truth) in a dynamic cheap-talk model. We are interested in the sender optimal contracts. How reputational considerations alter the structure of the optimal contract? Also, how significant are the gains from building a reputation above and beyond the repeated nature of the relation? The third part of my work will continue the research agenda discussed that I began in my solo projects. I want to study (in general) the reasons why wars end and why diplomacy appears to be increasingly ineffective. Meanwhile, future work will consider the role of interdependence in general contracts when the principal has limited commitment.