

IC: Relaxing

Stockholm PhD Minicourse

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Recall Assumptions

1. Interesting Decision (signal)
2. Communication (action discreteness)
3. Objective (same, time-changing)
4. Sequentiality (network?)

IC Requirements

- ▶ Recall first class.
- ▶ It better be that, in the extreme, when assumptions are violated, prediction should disappear.
 - ▶ yes, IC prediction disappears!
 - ▶ how would you reject your theory? (LBS?)

IC Robustness

- ▶ If tiny assumption violations make model disappear, then only “there is a world...”
 - ▶ for ICs, in many cases, modest violations of assumptions still give rise to IC!
 - ▶ big violations make them go away
 - ▶ a little like “comparative advantage” — once you understand it, it’s broad. before, you didn’t have it conceptually sorted out.

Holistic View

- ▶ Gale (1996), Chamley's (2004),
 - ▶ How much does it matter whether there is convergence to truth at agent 1,000,000 vs never?
 - ▶ Is it even empirically distinguishable?
- ▶ What really matters *economically* is “very fast” or “very slow” convergence on truth.
- ▶ ICs give great economic intuition on why information aggregation can be so extremely slow, practically dead.
 - ▶ can be programmed into us!
 - ▶ fish don't speak!
 - ▶ Luca Brasi did

Lots of Course Remainder

- ▶ What happens if