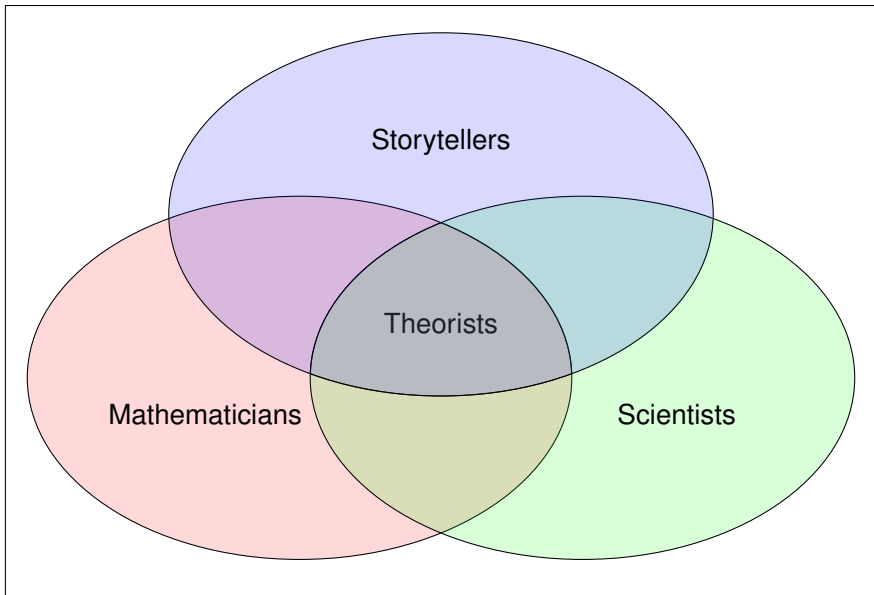


# **Why econ(onomic theory)?**

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How to ~~tell a story~~ write a theory paper:

1. Set the scene
2. Introduce characters
3. Explain how they behave and interact
4. Deliver a message (the “moral”)

Paper	Market for lemons (Akerlof, 1970)	Bayesian persuasion (Kamenica and Gentzkow, 2011)
Setting	Market for used cars	Courtroom
Characters	Buyer and Seller	Prosecutor and Judge
Goals	Transact at fair prices	P: Convict J: Convict iff guilty
Information	S knows quality, B does not	P observes evidence J observes <i>selected</i> evidence
Actions	Transact or not	P chooses way to select evidence J convicts or acquits
Moral	Information asymmetries lead to market failures	People can “design” information to get what they want

Good theory papers are like good stories:

They are **relatable**, have an element of **surprise**, and give us **general** insights