

Economics 846

Fall 2016

Gary Biglaiser, Office phone 966-4884, email gbiglais@email.unc.edu

Grade Assessment. Your grade will be based on a paper due on the last day of class. As you know, the field requirement for industrial organization is a paper. The paper for this class ideally will be a springboard for your field requirement. The paper will consist of a brief review of the literature, a model, and some basic results of the model. All students will present an article in class; this should be related to your paper topic. I will be happy to go over specific papers to examine and present in class.

General References

Bolton and Dewatripont, Contract Theory, MIT (2005) (B-D)

Friedman, J., Oligopoly Theory, Cambridge University Press, 1983.

Fudenberg and Tirole, Dynamic Models of Oligopoly, in Fundamentals of Pure and Applied Economics, edited by Lesourne and Sonnenschein, Harwood Press, 1986.

Laffont and Martimort, The Theory of Incentives I: The Principal-Agent Model, Princeton, 2002.

Laffont and Tirole, A Theory of Incentives in Procurement and Regulation, MIT, 1993. (L-T)

Laffont and Tirole, Competition in Telecommunications, MIT, 1999.

Milgrom and Roberts, Economics Organization and Management, Prentice Hall.

Myerson, Game Theory, Harvard, 1993.

Phlips, The Economics of Price Discrimination, Cambridge University Press, 1983.

Spulber, Regulation and Markets, MIT, 1989.

Tirole, The Theory of Industrial Organization.

Abbreviations

AER *American Economic Review*

BJE *Bell Journal of Economics*

RAND *RAND Journal of Economics*

RESTUD *Review of Economic Studies*

JPE *Journal of Political Economy*

Econometrica *Econometrica*

JEMS *Journal of Economics Management and Strategy*

JLEO *Journal of Law Economics and Organization*

JPUBE *Journal of Public Economics*

JLE *Journal of Law and Economics*

JRE *Journal of Regulatory Economics*

IJIO *International Journal of Industrial Organization*

QJE *Quarterly Journal of Economics*

A. Standard IO Product Markets

*Tirole Chapters 5 and 7

*Shaked and Sutton, "Relaxing Price Competition Through Product Differentiation" *RESTUD*, Vol. 49, No. 1 (Jan., 1982), pp. 3-13

B. Price discrimination and Product Differentiation

*Tirole Chapter 3

* Laffont and Martimort, The Theory of Incentives I: The Principal-Agent Model, Chapter 3.

*B-D Chapter 6.

* Stole (2005), "Price Discrimination and Imperfect Competition," *Handbook of IO* vol 3.

*Mussa, M. and S. Rosen (1978), "Monopoly and Product Quality," *JET*, 18:301-317.

*Maskin and Riley, "Monopoly with Incomplete Information" *RAND* 1984, 171-196.

*Chapsaur, P. and J.C. Rochet, (1989), "Multiproduct Duopolists, *Econometrica*, 57:533-557.

*Anderson, de Palma and Thisse *Discreet Choice Theory of Product Differentiation*, MIT Press, chapters 5 and 7.

*Rochet, J.C. and Stole (2002), "Nonlinear Pricing with Random Participation," *RESTUD*, 277-311.

*Johnson and Myatt, "Multiproduct quality competition: Fighting brands and product line pruning," *AER* 93.3 (2003): 748-774

C. Bundling and Tying

*McAfee, McMillan, and Whinston, "Multiproduct Monopoly, Commodity Bundling, and Correlation of Values", *QJE*, 1989, 371-384.

Armstrong (2011) "Bundling revisited: substitute products and inter-firm Discounts" working paper.

*Fang and Norman (2006), "[To Bundle or Not to Bundle](#)," *RAND* 37(4), 946-963.

*Armstrong, M. and J. Vickers (2010), "Competitive Nonlinear Pricing and Bundling," *RESTUD*, 30-60.

Biglaiser and Ma, (2003) "Multi-product Adverse Selection with Competition" *RAND* 266-286.

*Zhao, J. (2016) "Competitive Bundling," mimeo.

Armstrong, M. and J.C. Rochet, (1999), "Multidimensional Screening: A User's Guide," *European Economic Review*, 43:959-979.

Rochet, J.C. and P. Chone, (1998), "Ironing, Sweeping, and Multidimensional Screening," *Econometrica*, 66:783-826.

Wilson, R. (1993) *Nonlinear pricing*, Oxford University Press.

*Chen and Rey (2012), "Loss Leading as an Exploitive Device," *AER*, 3462-3482.

*Carlton, Gans, and Waldman, "Why Tie a Product Consumers do not Use," *AEJ Micro*, 2010, 85-105.

D. Vertical Control and Foreclosure

*Tirole Chapters 4 and 8.

Katz, M., "Vertical Contractual Relations", Handbook of IO, 656-721.

Mathewson and Winter, "An Economic Theory of Vertical Restraints", RJE 1984, 27-38.

Hart, O. and J. Tirole, "Vertical Integration and Market Disclosure" Brookings Papers, 1990, 205-286.

*Rey and Tirole a Primer on Foreclosure

*Aghion and Bolton (1987), "Contracts as Barriers to Entry," AER, 388-401.

*Figuera, Ide, Montera (2016), "Discounts as Barriers to Entry," forthcoming AER.

*Rey, P. and J. Tirole, "The Logic of Vertical Restraints", AER, 1986, 921-939.

*Bedre-Defolie and Biglaiser (2016), "Contracts as a barrier to entry when buyers are non-pivotal" mimeo.

Chone and Linnemer (2014, 2016), "Nonlinear pricing and exclusion" RAND.

Segal and Whinston, [Robust Predictions for Bilateral Contracting with Externalities](#), *Econometrica*, 71(3), May 2003, pp. 757-791

*Nocke, V. and P. Rey (2014), Vertical Integration and Foreclosure in Interlocking Relationships," working paper.

*Whinston, M. "Tying, Foreclosure, and Exclusion," *AER* (80), September 1990, pp. 837-59.

Bolton and Whinston "Incomplete Contracts, Vertical Integration, and Supply Assurance," *RESTUD*, January 1993, pp. 121-48. (with P. Bolton)

*Bernheim, and Whinston, "Exclusive Dealing," *JPE*, 1998, 64-103.

*O'Brien, and Shaffer, "Vertical Control with Bilateral Contracts," *RAND*, 1992, 299-308.

*Segal and Whinston, 2000 "Naked Exclusion- Comment" *AER*, 296-309.

*Rey, and Whinston 2013, "Does Retailer Power Lead to Exclusion," *RAND* 75-81.

*Janssen and Shelegia (2015), "Consumer Search and Double Marginalization, *AER*, 1683-1710.

E. Models with Switching Costs and Network Externalities

*Klemperer, (1995) "Competition when Consumers have Switching Costs," *RESTUD*, 513-539.

* _____ and Farrell (2007) "[Coordination and Lock-In: Competition with Switching Costs and Network Effects](#) *Handbook of Industrial Organization*, Vol 3. M. Armstrong and R. Porter (eds.), North-Holland.

Villas-Boas, (1999)"Dynamic Competition with Customer Recognition," *RAND*, 604-631.

*Chen, (1997), "Paying Customers to Switch," *JEMS*, 877-897.

*Fudenberg, D. and J. Tirole (2000), "Customer Poaching and Brand Switching," *RAND*, 31: 634-657.

Farrell and Shapiro, "Dynamic Competition with Switching Costs" *RAND* 1988, 123-137.

*Taylor (2003), "Supplier Surfing: Price Discrimination in Markets with Repeat Purchases," *RAND*, 34. 223-246

*Biglaiser, Cremer, Dubos (2013)," The value of Switching Costs" *JET*, Vol. 148,

pp. 935-952.

* Argenziano, R (2008) "Differentiated Networks: Equilibrium and Efficiency" *RAND* 39 (3): 747-769.

*Cabral (2011), "Dynamic Price Competition with Network Effects," *RESTUD* 78, 83–111.

*Biglaiser and Cremer (2016), "The Value of Incumbency in Heterogeneous Networks," mimeo.

*Biglaiser, Cremer, and Veiga (2016), "Should I Stay or Should I Go" mimeo.

F. Two-Sided Markets

Caillaud, B. and B. Jullien (2003), "Chicken and Egg: Competition Among Intermediation Providers" *RAND* 309-328.

*Rysman, M. (2009) "The Economics of Two-Sided Markets" *Journal of Economic Perspectives*, Volume 23, Number 3, Pages 125–143

*Armstrong, M. (2006), "Competition in Two-sided Markets," *RAND*, 2006,

*Hagiu, A. (2009) "Product Variety and Two-Sided Platform Pricing," *JEMS*, 18(4), pp. .

Rochet and Tirole (2003), "Platform Competition in Two-Sided Markets." *Journal of European Economic Association*, 990-1029.

Rochet and Tirole (2005), "Two-Sided Markets: A Progress Report" mimeo.

*Anderson and Coate (2005), "Market Provision of Broadcasting: A Welfare Analysis", *Review of Economic Studies*, 72(4), 947-972.

Wright (2003), "Optimal Card Payment Systems" *European Economic Review*, 587-612.

*Weyl, G. (2010) "A Price Theory of Multi-Sided Platforms," *AER*, 100(4): 1642-72.

Weyl, G. and A. White (2013), "Insulated Platform Competition," mimeo.

*Bulow, J. and J. Levin, (2006), "Matching and Price Competition," *AER*, 652-668.

*Damiano and Li, (2008), "Competing Matchmaking," *Journal of the European Economic Association* 6(4), pp.819-844.

* Halaburda and Yehezkel, (2013) "Platform Competition under Asymmetric Information," *AEJ Micro* 22-68.

*Ambrus, Calvano, and Reisinger (2016), "Either or Both Competition: A two-Sided Theory of Advertising with Overlapping Viewership," forthcoming *AEJ*.

*Hagiu and Jullien, (2011) "Why do Intermediaries Divert Search," *RAND* 337-362.

G. Product Selection, Quality, and Advertising

*Tirole 95-129, Chapter 2

Akerlof (1970) "The Markets for Lemons: Qualitative Uncertainty and The Market Mechanism," *QJE* 488-500.

*Shapiro (1983) "Premiums for High Quality Products as Rents to Reputation," *QJE*, 59-680.

Milgrom and Roberts, (1986) "Prices and Advertising Signals of Product Quality", *JPE*, 796-821.

- *Biglaiser, (1993) "Middlemen as Experts", RAND, 211-223.
- *Biglaiser and Friedman, (1994) "Middlemen as Guarantors of Quality"
International Journal of Industrial Organization, 509-531.
- _____ and _____ "Adverse Selection with Competitive Inspection," JEMS, 1999, 1-32.
- Biglaiser and Li (2016), "Middlemen: The Good, the Bad, and the Ugly," working paper.
- Taylor (1995)," Economics of Breakdowns, Checkups, and Cures," JPE
- *Emons, (1997),"Credence Goods and Fraudulent Experts," RAND 107-119.
- *Pessendorfer and Wolinsky (2003), "Second Opinions and Price Competition: Inefficiency in the Market for Expert Advice," RESTUD, 417-439.