12th Student Workshop

15th June 2023

Toulouse School of Economics

Timetable

The annual student workshop of the Toulouse School of Economics is a student-led workshop that aims to bring together students of all groups. The workshop is a unique opportunity for young researchers to present their work in a friendly environment. Where they are able to receive feedback from senior researchers and their peers.

Thursday, 15th of June

10:30–11:00	Speaker	**Luise Eisfeld**	Privacy Regulation and Startup M&A
11:00–11:15	Discussant	Prof. Silvia Rossetto	
11:15–11:45	Speaker	**Maxim Sandiumenge**	Vertical Foreclosure: A Dynamic Perspective
11:45–12:00	Discussant	Prof. Bruno Jullien	
12:00–14:00	**Lunch**		
14:00–14:30	Speaker	**Oscar Jara**	Distributor Consolidation and Prices: Evidence from the Energy Drinks Sector in the US
14:30–14:45	Discussant	Prof. Pierre Dubois	
14:45–15:30	Speaker	**Nicolas Martinez**	Market Coverage and Network Competition: The Case of Shared Electric Scooters
15:30-15:45	Discussant	Prof. Olivier de Groot	

List of Abstracts – Talks

15th June 2023

Privacy Regulation and Startup M&A

Luise Eisfeld[1,2]

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This paper explores how privacy regulation can affect merger and acquisition (M&A) activity. In theory, privacy regulation can, on the one hand, affect the profitability mergers and acquisitions nega- tively: privacy regulation likely increases the cost of due diligence, and privacy regulation can constrain merging companies' ability to combine their data post acquisition. On the other hand, privacy regu- lation can positively affect the profitability of mergers and acquisitions, as mergers can also be thought of a means that enable data sharing between companies in environments with high privacy protection that make sharing data with third parties unlawful. To investigate the link between privacy regulation and M&As, I study the likely effects of the General Data Protection Regulation (GDPR) on M&As of startup firms using a difference-in-differences framework. My preliminary findings suggest a decline in M&As of EU-based startups following the introduction of GDPR. Interestingly, this decline seems to be driven by domestic acquirers, thus contradicting anecdotal evidence. I propose follow-up research questions and further investigations.

Vertical Foreclosure: A Dynamic Perspective

Maxim Sandiumenge

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This paper shows that capability and incentives to vertically foreclose rivals depend on intertemporal linkages. By raising the costs of the foreclosed firm and harming its competitive position, the unintegrated supplier decreases its own ability to extract rents in future periods. This, in turn, mitigates the supplier's incentive to exploit its market power vis-à-vis its customers. Intertemporal linkages tend to reduce the scope of foreclosure in three ways. First, by disciplining the unintegrated supplier. Second, by limiting the integrated firm's ability to discourage a counter-merger. Third, by forcing the integrated firm to offer a lower price, which further reduces the market power conferred to the independent supplier. However, intertemporal linkages magnify inefficiencies given a cost asymmetry. As a consequence, intertemporal linkages can either increase or decrease the scope of foreclosure. I show that it is increased if there is no threat of a counter-merger and/or intertemporal linkages are not too large.

Distributor Consolidation and Prices: Evidence from the Energy Drinks Sector in the US

Oscar Jara IO

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Upstream mergers between firms competing in the same market tend to rise concerns among Antitrust Authorities, because of the possible price effects arising from a reduction in competi- tion. I show that price effects can still arise even when the upstream firms in a merger are in different geographic markets. The expansion of a distributor to new areas can generate price effects in both the treated and the spillover markets. These effects arise from a redistribution of price effects between regions. In particular, firms internalize the effects of one market when negotiating for the wholesale price of another. To empirically investigate these effects, I study a consolidation of distributors in the US energy drinks market. Using a reduced form model, I take advantage of the regional variation in distributors to find that the change in the market structure pushed down retail prices, in average, by 1.5%. Then, using a structural model of bar- gaining, I decompose the different sources behind this fall in retail prices. The results suggest that multi-market bargaining leads to price changes not only in the areas directly affected by the consolidation, but also in the market of origin of the acquirer firm. Cost efficiencies can be translated into lower prices for other regions not directly affected by the consolidation.

Market Coverage and Network Competition: The Case of Shared Electric Scooters

Nicolas Martinez IO

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I quantify the welfare inefficiencies from competition in the dynamic spatial equilibrium of transportation markets. This requires differentiating between the extensive margin, i.e. which locations within a city to enter, and the intensive margin, the quality (supply level) offered in each location. Shared electric scooters, a new transportation service, represent a market where even with a fixed number of firms, quality over and under provision can simultaneously arise as a competitive outcome. First, I show motivating evidence indicating supply distortions across locations. Second, I analyze the market using a dynamic structural model incorporating the impact of competition, capacity constraints, and network effects on firms' decisions. To overcome estimation challenges linked to the high dimension of the action space, I exploit the finite horizon nature of the repeated game to partially identify firms' costs. Policy simulations show the magnitude of the business stealing effect on supply distortions, indicating that a monopolist would improve welfare by almost 36.4%. However, the spatial distribution of supply under the monopolist differ greatly from the one maximising welfare, suggesting the need for additional policies that can align incentives.