

DEEQA: Advanced Industrial Organisation II

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Time: TBC.

Grading: A problem set and short presentation on a recent paper. Each is worth 50% of the final grade.

Reading list: [provisional]

Topics 1 and 2: Random and Ordered Consumer Search

- Anderson, S. and Renault, R. (1999): “Pricing, Product Diversity, and Search Costs: A Bertrand-Chamberlin-Diamond Model”, RAND Journal 30(4), 719-735.
- Arbatskaya, M. (2007): “Ordered Search”, RAND Journal 38(1), 119-126.
- Armstrong, M., Vickers J. and Zhou, J. (2009): “Prominence and Consumer Search”, RAND Journal 40(2), 209-233.
- Baye, M., Kovenock, D. and de Vries, C. (1992): “It Takes Two to Tango: Equilibria in a Model of Sales”, Games and Economic Behavior 4, 493-510.
- Burdett, K. and Judd, K. (1983): “Equilibrium Price Dispersion”, Econometrica 51(4), 955-970.
- Diamond, P. (1971): “A Model of Price Adjustment”, Journal of Economic Theory 3, 156-168.
- Ellison, G. and Wolitzky, A. (2012): “A search cost model of obfuscation”, RAND Journal 43(3), 417-441.
- Janssen, M. and Moraga-Gonzalez, J.L. (2004): “Strategic Pricing, Consumer Search and the Number of Firms”, Review of Economic Studies 71(4), 1089-1118.
- Moraga-Gonzalez, J.L., Sandor, Z. and Wildenbeest, M. (2017): “Prices and Heterogeneous Search Costs”, RAND Journal 48(1), 125-146.
- Petrikaite, V. (2018): “Consumer Obfuscation by a Multiproduct Firm”, RAND Journal 49(1), 206-223.
- Rhodes, A. and Zhou, J. (2018): “A Search Theory of Retail Market Structure”, forthcoming.

- Stahl, D. (1989): “Oligopolistic Pricing with Sequential Consumer Search”, American Economic Review 79(4), 700-712.
- Stiglitz, J. (1979): “Equilibrium in Product Markets with Imperfect Information”, American Economic Review 69(2), 339-345.
- Varian, H. (1980): “A Model of Sales”, American Economic Review 70, 651-658.
- Weitzman, M. (1979): “Optimal Search for The Best Alternative”, Econometrica 47(3), 641-654.
- Wilson, C. (2010): “Ordered Search and Equilibrium Obfuscation”, International Journal of Industrial Organization 28(5), 496-506.
- Wolinsky, A. (1986): “True Monopolistic Competition as a Result of Imperfect Information”, Quarterly Journal of Economics 101(3), 493-512.
- Zhou, J. (2011): “Ordered Search in Differentiated Markets”, International Journal of Industrial Organization 29(2), 253-262.

Topics 3 and 4: Price and Match Advertising

- Anderson, S. and Renault, R. (2006): “Advertising Content”, American Economic Review 96(1), 93-113.
- Anderson, S. and Renault, R. (2009): “Comparative advertising: disclosing horizontal match information”, RAND 40(3), 558-581.
- Bagwell, K. (2005): “The Economic Analysis of Advertising”.
- Baye, M. and Morgan, J. (2001): “Information gatekeepers on the Internet and the Competitiveness of Homogeneous Product Markets”, American Economic Review 91(3), 454 - 474.
- Bester, H. (1994): “Random advertising and monopolistic price dispersion”, Journal of Economics and Management Strategy 3(3), 545 - 559.
- Butters, G. (1977): “Equilibrium Distributions of Sales and Advertising Prices”, Review of Economic Studies 44(3), 465 - 491.
- Dixit, A. and Norman, V. (1978): “Advertising and Welfare”, Bell Journal of Economics 9(1), 1-17.

- Dorfman, R. and Steiner, P. (1954): “Optimal Advertising and Optimal Quality”, The American Economic Review 44(5), 826-836.
- Grossman, G. and Shapiro, C. (1984): “Informative Advertising with Differentiated Products”, Review of Economic Studies 51(1), 63 - 81.
- Johnson, J. and Myatt, D. (2006): “On the Simple Economics of Advertising, Marketing, and Product Design”, American Economic Review 96(3), 756-784.
- Renault, R. (2015): “Advertising in markets”.

Topic 5: Demand Forms and Passthrough

- Bagnoli, M. and Bergstrom, T. (2005): “Log-concave probability and its applications”, Economic Theory 26(2), 445-469.
- Chen, Y. and Riordan, M. (2008): “Price-Increasing Competition”, RAND Journal 39, 1042-1058.
- Gabaix, X., Laibson, D., Li, D., Li, H., Resnick, S. and de Vries, C. (2013): “The Impact of Competition on Prices with Numerous Firms”, working paper.
- Perloff, J. and Salop, S. (1985): “Equilibrium with Product Differentiation”, Review of Economic Studies 52(1), 107-120.
- Van den Berg, G. (2007): “On the uniqueness of optimal prices set by monopolistic sellers”, Journal of Econometrics 141, 482-491.
- Weyl, E.G. and Fabinger, M. (2013): “Pass-Through as an Economic Tool: Principle of Incidence under Imperfect Competition”, Journal of Political Economy 121(3), 528-583.
- Zhong, W. (2015), “Perloff and Salop with partial market coverage”, research note.
- Zhou, J. (2017): “Competitive Bundling”, Econometrica 85(1), 145-172.

Topic 6: Price Discrimination

- Aguirre, I., Cowan, S. and Vickers, J. (2010): “Monopoly Price Discrimination and Demand Curvature”, American Economic Review 100(4), 1601-1615.
- Armstrong, M. (2006): “Recent Developments in the Economics of Price Discrimination”, Advances in Economics and Econometrics, Vol. 2.

- Bergemann, D., Brooks, B. and Morris, S. (2015): “The limits of price discrimination”, *American Economic Review* 105(3), 921-957.
- Chen, Y. and Schwartz, M. (2015): “Differential pricing when costs differ: a welfare analysis”, *RAND Journal* 46(2), 442-460.
- Corts, K. (1998): “Third Degree Price Discrimination in Oligopoly: All-Out Competition and Strategic Commitment”, *Rand Journal* 29, 306-323.
- Cowan, S. (2012): “Third-Degree Price Discrimination and Consumer Surplus”, *Journal of Industrial Economics* 60(2), 333-345.
- Holmes, T. (1989): “The Effects of Third-Degree Discrimination in Oligopoly”, *American Economic Review* 79, 244-250.
- Stole, L. (2007): “Price Discrimination in Competitive Environments”, *Handbook of Industrial Organization*, Vol. 3.
- Thisse, J. and Vives, X. (1988): “On the Strategic Choice of Spatial Price Policy”, *American Economic Review* 78(1), 122-137.

Topic 7: Product Lines

- Johnson, J. and Myatt, D. (2003): “Multiproduct Quality Competition: Fighting Brands and Product Line Pruning”, *American Economic Review* 93(3), 748–774.
- Johnson, J. and Myatt, D. (2006): “Multiproduct Cournot Oligopoly”, *RAND Journal* 37(3), 583-601.

Topic 8: Multiproduct Pricing

- Armstrong, M. and Vickers, J (2001): “Competitive Price Discrimination”, *RAND Journal* 32(4), 1-27.
- Bliss, C. (1988): “A Theory of Retail Pricing”, *Journal of Industrial Economics* 36(4), 375-391.
- Chen, Z. and Rey, P. (2012): “Loss-leading as an Exploitative Practice”, *American Economic Review* 102(7), 3462-3482.
- Rhodes, A. (2015): “Multiproduct Retailing”, *Review of Economic Studies* 82(1), 360-390.

- Rhodes, A. and Zhou, J. (2015): “Consumer Search and Retail Market Structure”, Management Science, forthcoming.
- Zhou, J. (2014): “Multiproduct Search”, American Economic Review 104(9), 2918-2939.

Topic 9: Switching Costs and Behaviour-Based Price Discrimination

- Beggs, A. and Klemperer, P. (1992): “Multiperiod competition with switching costs”, Econometrica 60(3), 651-666.
- Biglaiser, G., Crémer, J., and Dobos, G. (2013): “The value of switching costs”, Journal of Economic Theory 148 (3), 935-952.
- Bouckaert, J., Degryse, H. and Provoost, T. (2012): “Enhancing Market Power by Reducing Switching Costs”, Economics Letters 114(3), 359-361.
- Cabral, L. (2013): “Dynamic Pricing in Customer Markets with Switching Costs”, working paper.
- Chen, Y. (1997): “Paying Customers to Switch”, Journal of Economics and Management Strategy 6(4), 877-897.
- De Nijs, R. and Rhodes, A. (2013): “Behavior-based pricing with experience goods”, Economics Letters 118(1), 155-158.
- Esteves, R.B. (2009): “A Survey on the Economics of Behaviour-Based Price Discrimination”, working paper.
- Esteves, R.B. and Reggiani, C. (2014): “Elasticity of Demand and Behaviour-Based Price Discrimination”, International Journal of Industrial Organization 32, 46-56.
- Farrell, J. and Klemperer, P. (2007): “Coordination and Lock-In: Competition with Switching Costs and Network Effects”, Handbook of Industrial Organization, Vol 3.
- Farrell, J. and Shapiro, C. (1988): “Dynamic Competition with Switching Costs”, RAND Journal 19(1), 123-137.
- Fudenberg, D. and Tirole, J. (2000): “Customer Poaching and Brand Switching”, RAND Journal 31(4), 634-657.
- Fudenberg, D. and Villas-Boas, M.J. (2007): “Behavior-Based Price Discrimination and Customer Recognition”, Economics and Information Systems, Volume 1.

- Klemperer, P. (1987): “The Competitiveness of Markets with Switching Costs”, *Rand Journal* 18, 138-150.
- Rhodes, A. (2014): “Re-examining the Effects of Switching Costs”, *Economic Theory* 57(1), 161-194.
- Padilla, J. (1995): “Revisiting Dynamic Duopoly with Consumer Switching Costs”, *Journal of Economic Theory* 67(2), 520-530.
- Shaffer, G. and Zhang, Z.J. (2000): “Pay to switch or pay to stay: Preference-based price discrimination in markets with switching costs”, *Journal of Economics and Management Strategy* 9(3), 397-424.
- Taylor, C. (2003): “Supplier Surfing: Competition and Consumer Behavior in Subscription Markets”, *Rand Journal* 34, 223-46.
- Thisse, J-F. and Vives, X. (1988): “On The Strategic Choice of Spatial Price Policy”, *American Economic Review* 78(1), 122-137.
- To, T. (1996): “Multiperiod competition with switching costs: An overlapping generations formulation”, *Journal of Industrial Economics* 44(1), 81–87.