

## **ADVANCED INDUSTRIAL ORGANIZATION (THEORETICAL) 2010-2011**

The companion course 'Advanced Industrial Organization (Empirical)' is taught by Lapo Filistrucchi (UvT).

### **Lecturers**

Marco Haan and Bert Schoonbeek (RUG).

### **Aims**

To bring students up-to-date with the state-of-the-art in industrial organization theory. Upon completion of the course, students should be able to read, comprehend, and critically assess current theoretical articles in leading journals in this field (like RAND Journal of Economics, Journal of Industrial Economics, International Journal of Industrial Organization).

### **Credits**

3 ECTS

### **Time Schedule**

18, 25 March; 1, 8, 15 April, 2011

### **Prerequisites**

Industrial Organization, level first-year Research Master (e.g. Tirole, J. (1988), *The theory of industrial organization*, The MIT Press, Cambridge).

### **Examination**

tba

### **Outline of the Course**

<b>Topics</b>		<b>Lecturer</b>
Search Models	-	Haan
Cartels and Leniency Programs	-	Schoonbeek
Advertising Models	-	Haan
Horizontal Mergers	-	Schoonbeek
Behavioural IO	-	Haan

## **Literature (provisional)**

### **Lecture 1: Search Models**

Burdett, K. and K. Judd (1983), “Equilibrium Price Dispersion”, *Econometrica*, **51**, 955-969.

Diamond, P.A. (1971), “A Model of Price Adjustment”. *Journal of Economic Theory*, **3**, 156-168.

Stahl, D.O. (1989), “Oligopolistic pricing with sequential consumer search”, *American Economic Review*, **79**, pp. 700-712.

Varian, H.R. (1980), “A Model of Sales.” *American Economic Review*, **70**, 651-659.  
Lecture Notes.

### **Lecture 2: Cartels and Leniency Programs**

Aubert, C., Rey, P. and W. Kovacic (2006), “The impact of leniency and whistleblowing programs on cartels”, , *International Journal of Industrial Organization*, **24**(6), 1241-1266.

Motta, M. and M. Polo (2003), “Leniency programs and cartel prosecution”, *International Journal of Industrial Organization*, **21**, 347-379.

Spagnolo, G. (2004), “*Divide et Impere: optimal leniency programs*”, CEPR Discussion paper 4840.

### **Lecture 3: Advertising**

Bagwell, K. (2007), “The Economic Analysis of Advertising”, Chapter 2 in M. Armstrong and R.H. Porter (eds.), *Handbook Of Industrial Organization*, vol. 3, Elsevier. A longer earlier version is available [here](#).

Butters G. (1977), “Equilibrium Distributions of Sales and Advertising Prices”, *Review of Economic Studies*, **44**, 465-491.

Grossman, G.M. and C. Shapiro (1984), “Informative Advertising with Differentiated Products”, *Review of Economic Studies*, **51**, 63-81.  
Lecture Notes.

Haan, M.A. and J.L. Moraga-González (2011), “Advertising for Attention in a Consumer Search Model”, *Economic Journal*, forthcoming.

### **Lecture 4: Horizontal Mergers**

Davidson, C. and R.J. Deneckere (1985), “Incentives to form coalitions with Bertrand competition”, *RAND Journal of Economics*, 16, 473-486.

Farrell, J. and C. Shapiro (1990), "Horizontal mergers, an equilibrium analysis", *American Economic Review*, 80, 107-125.

Perry, M.K. and R. Porter (1985), "Oligopoly and the incentive for horizontal merger", *American Economic Review*, 75, 219-227.

Salant, S., S. Switzer and R. Reynolds, (1983), "Losses from horizontal merger: the effects of an exogenous change in industry structure on Cournot-Nash equilibrium", *Quarterly Journal of Economics*, 98, 185-199.

Whinston, M.D. (2006), "Horizontal Mergers": chapter 3 of *Lectures on Antitrust Economics*, MIT Press.

### **Lecture 5: Behavioral Economics**

DellaVigna, S., and U. Malmendier (2004), "Contract Design and Self-Control: Theory and Evidence", *Quarterly Journal of Economics*, 119, pp.353-402.

Grubb, M.D. (2009), "Selling to Overconfident Consumers", *American Economic Review*, 2009, 99(5), 1770-1807.

Heidhues, P. and B. Koszegi, (2008), "Competition and Price Variation when Consumers are Loss Averse", *American Economic Review*, 2008, 98(4), 1245-1268.

Spiegler, R. (2011), *Bounded Rationality and Industrial Organization*, Oxford University Press.