

Management Science II/ Industrial Organization, Spring 2016

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Credits: 9 ECTS

This course familiarizes students with classical statistical methods of management research and theoretical models in industrial organization and strategic management.

The second part of the course analyzes in depth competitive strategies of vertical relations and control (*B to B* contracting), vertical foreclosure, entry deterrence, two-sided markets, and horizontal foreclosure (tying and bundling strategies).

Evaluation:

Grading is based on one individual assignment for which each student is expected to write one referee report on a recent research paper and be prepared to present the paper during the last session of the class (on June 30th, 1pm). The instructors will provide a list of research papers on the topics of each part of the course from which students could choose one paper to prepare a referee report and presentation. The list of research papers will be provided during the course.

PART I:

Instructor: Catalina Stefanescu-Cuntze, ESMT

For this part of the course, the following book may be useful as a main reference: Lattin, James, J. Douglas Carroll, and Paul E. Green (2003), *Analyzing Multivariate Data*, Pacific Grove, CA: Brooks/Cole. An additional possible reading is the book Hair, Joseph F., Jr., et al. (2010), *Multivariate Data Analysis*, 7th edn., Upper Saddle River, NJ: Pearson Prentice.

1. Principal Components Analysis (PCA) and Exploratory Factor Analysis (EFA)

Reading: Lattin et al. Chapter 4 and Chapter 5

2. PCA and EFA lab

3. **Confirmatory Factor Analysis (CFA) and Structural Equations Modeling**

Reading: Lattin et al. Chapter 6 and Chapter 10

4. **CFA lab**

PART II: Books

Tirole (1988), *The Theory of Industrial Organization*, MIT Press.

Motta (2004), *Competition Policy: Theory and Practice*.

Belleflamme and Peitz (2009), *Industrial Organization: Markets and Strategies*

PART II: Reading List

Instructor: Özlem Bedre-Defolie, ESMT

5. **Vertical Restraints and Coordination**

Motta, M., “Competition Policy: Theory and Practice,” Chp.6, *Cambridge University Press*.

a. Vertical restraints and intra-brand coordination

- Mathewson and Winter (1984), “An Economic Theory of Vertical Restraints”, *RAND Journal of Economics*, Vol. 15, pp. 27-38.
- Rey and Tirole (1986), “The Logic of Vertical Restraints”, *American Economic Review*, Vol. 76, pp. 921-939.
- Rey and Verge (2007), “Economics of Vertical Restraints”, *Handbook of Antitrust Economics*, pp. 353-390.

b. Vertical restraints and inter-brand coordination

- Bernheim and Whinston (1985), “Common Marketing Agency as a device for Facilitating Collusion”, *RAND Journal of Economics*, Vol. 16, pp. 269-281.
- Bernheim and Whinston (1986), “Common Agency,” *Econometrica*, Vol. 54, pp.923-942.
- Rey and Stiglitz (1994), “The Role of Exclusive Territories in Producers’ Competition”, *RAND Journal of Economics*, Vol. 26, pp. 431-451.
- Jullien and Rey (2007), “Retail Price Maintenance and Collusion”, *RAND Journal of Economics*, Vol. 38, pp. 983-1001.
- Jullien and Rey (2012), “Resale Price Maintenance and Interlocking Relationships,” *Journal of Industrial Economics*, Vol. 58(4), pp. 928-961.

6. **Vertical Foreclosure**

- Hart and Tirole (1990), “Vertical Integration and Market Foreclosure”, *Brooking Papers on Economic Activity (Microeconomics)*, pp. 205-285.
- O’Brien and Shaffer (1992), “Vertical Control with Bilateral Contracts”, *RAND Journal of Economics*, Vol. 23, pp. 431-451.
- McAfee and Schwartz (1994), “Opportunism in Multilateral Vertical Contracting: Nondiscrimination, exclusivity and uniformity”, *American Economic Review*, Vol. 84, pp. 210-230.
- Segal (1999), “Contracting with Externalities”, *The Quarterly Journal of Economics*, Vol. 114, pp. 337-388.
- Rey and Tirole (2007), “A Primer on Foreclosure”, *Handbook of Industrial Organization*, Vol. 3. pp. 2145-2220.

7. Entry Barriers

- Aghion and Bolton (1987), “Contracts as Barriers to Entry”, *American Economic Review*, Vol. 77, pp. 388-401.
- Rasmussen, Ramseyer and Wiley (1991), “Naked Exclusion”, *American Economic Review*, Vol. 81, pp. 1137-1145.
- Segal and Whinston (2000), “Naked Exclusion: Comment”, *American Economic Review*, Vol. 90, pp. 296-309.

8. Two-Sided Markets

- Rochet and Tirole (2002), “Cooperation Among Competitors: Some Economics of Payment Associations,” *RAND Journal of Economics*, Vol. 33(4), 549-570.
- Caillaud and Jullien (2003), “Chicken and Egg: Competition Among Intermediation Service Providers,” *RAND Journal of Economics*, Vol. 34(2), 309-328.
- Armstrong (2006), “Competition in Two-sided Markets,” *RAND Journal of Economics*, Vol. 37(3), 668-691.
- Rochet and Tirole (2006), “Two-sided Markets: A Progress Report,” *RAND Journal of Economics*, Vol. 37(3), 645-667.
- Weyl (2011), “A Price Theory of Multi-sided Platforms,” *American Economic Review*, Vol. 100(4), 1642-1672.
- Hagiu and Julien (2011), “Why do Intermediaries Divert Search,” *Rand Journal of Economics*, Vol, 47(2), 332-367.

9. Horizontal Foreclosure: Tying and Bundling

- Matutes and Regibeau (1988), “Mix and Match : Product Compatibility Without Network Externalities,” *The RAND Journal of Economics*, Vol. 19(2), 219-234.
- Whinston (1990), “Tying, Foreclosure and Exclusion,” *American Economic Review*, Vol. 80, 837-860.
- Nalebuff (2000), “Competing Against Bundles,” *Incentives, Organization, and Public Economics*, 323-336.
- Choi and Stefanadis (2001), “Tying, Investment and Dynamic Leverage Theory,” *The RAND Journal of Economics*, Vol. 32, 52-71.

- Carlton and Waldman (2002), “Strategic Use of Tying to Preserve and Create Market Power in Evolving Industries,” *The RAND Journal of Economics*, Vol. 33(2), 194-220.
- Nalebuff (2004), “Bundling as an Entry Barrier,” *The Quarterly Journal of Economics*, 119(1), 159-187.
- Armstrong and Vickers (2010), “Competitive Non-linear Pricing and Bundling,” *Review of Economic Studies*, 77(1), 30-60.

Dates

Catalina Stefanescu-Cuntze: April 21, April 28, May 12, May 19 (all at 9am)

Özlem Bedre-Defolie: May 26 (9am), June 2 (9am), June 9 (9am and 1pm), June 16 (9am), June 23 (9am), June 30 (9am and 1pm)