Purpose of the course

This course aims to provide students with strong understanding of contracts between vertically related firms (Business to Business contracting), the strategic use of vertical contracts for vertical control and vertical foreclosure, use of tying and bundling strategies as tools of horizontal foreclosure, entry deterrence, competition for exclusivities and two-sided markets.

Course format

We will go through seminal theories of industrial organization in the listed topics mainly focusing on intuition, basic economic trade-offs, modelling approaches, applications and limitations. In order to fully grasp the material from the class discussions, you need to come to the class prepared that involves reading assigned (required) readings for each session and thinking critically about the paper. Reading critically theoretical research work means trying to address following questions:

- What is the research question? Why is it interesting? (how does it help you to understand the real world?)
- What is the main finding (insight, message) of the paper? What are the implications of the results? Are they relevant for applications?
- What are the key mechanisms at work in the context of the paper?
- What are the main ingredients of the theoretical model (players, timing, actions/strategies, payoffs, information assumptions, equilibrium notion)?
- Which assumptions are critical for the result? Are they realistic?
- How robust are the findings? Would they be valid if particular assumptions were relaxed?

For the session where we discuss one paper, you are expected to read carefully the paper and be prepared to present the answers to the above questions for that paper (without slides) in the class.
Prerequisites

A basic knowledge of static oligopoly theory (i.e., Cournot, Bertrand, and Stackelberg models) and a basic knowledge of game theory (e.g., simultaneous and sequential move games, standard solution concepts). A good way to get up to speed on these topics would be to consult the relevant chapters in one of the standard graduate IO textbooks. Two of my favorites are Jean Tirole (1988) and Xavier Vives (1999).

The textbooks for this course are:


Evaluation

Grading is based on three components:

1) Class participation (10%): You are expected to read the required readings and come to the class ready to discuss them.

2) Referee report OR research proposal (50%): An important aspect of doing research and a successful academic career is the ability to evaluate work (both your own work and also others'). Each student is expected to write one referee report individually on a recent research paper OR write a short proposal on the research he/she plans to develop in the thesis. The instructors will provide a list of research papers on the topics of the course from which students could choose one paper to prepare a referee report. The format and expectations about the research proposal will be communicated in the class. Referee reports and research proposals are due by August 18th, 2018.

3) Presentation (40%): Each student is expected to present his/her critical assessment of the paper (for which he/she writes a referee report) in the class for 15 minutes. Alternatively, he/she could present his/her research proposal for 15 minutes. Presentations will take place during the last two sessions of the course.
# Course Sessions

## Sessions 1&2
**Thursday, June 7, 2018**  
**09:00-12:00**

<table>
<thead>
<tr>
<th>Vertical Restraints and Coordination</th>
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<tr>
<td><strong>Required reading:</strong> Rey and Verge (2007)</td>
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| **Optional reading:** Textbooks: Motta (2004, Chapter 6), Tirole (1988, Chapter 4)  

**Session 1 topic**  
Intra-brand Coordination

**Optional reading:** Rey and Tirole (1986)

**Session 2 topic**  
Inter-brand Coordination

**Optional reading:** Rey and Stiglitz (1995), Jullien and Rey (2007)

## Sessions 3&4
**Thursday, June 14, 2018**  
**09:00-12:00**

**Session 3**  
Vertical Foreclosure


**Session 4**  
Downstream bargaining power

| Required reading: Marx and Shaffer (2007)  
| Optional reading: Rey, Thal-Miklos and Verge (2011), Rey and Verge (2010) |

## Sessions 5&6
**Thursday, June 21, 2018**  
**09:00-12:00**

<table>
<thead>
<tr>
<th>Horizontal Foreclosure</th>
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Sessions 7&8  
Thursday, June 28, 2018  
09:00-12:00

**Session 7 topic**  Discussion of Armstrong and Vickers (2010)

**Required reading:** Armstrong and Vickers (2010)

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**Session 8 topic**  Entry Barriers I

**Required reading:** Aghion and Bolton (1987)

**Optional reading:** Spier and Whinston (1995), Ide et al. (2016), Bedre-Defolie and Biglaiser (2017)

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Sessions 9&10  
Thursday, July 5, 2018  
09:00-12:00

**Entry Barriers II and Competing for Exclusivity**


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Sessions 11&12  
Thursday, July 12, 2018  
09:00-12:00

**Two-sided Markets**

**Required reading:** Armstrong (2006), Rochet and Tirole (2006),

**Optional reading:** Rochet and Tirole (2003), Bedre-Defolie and Calvano (2013), Edelman and Wright (2015)

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Session 13&14  
Thursday, July 19, 2018  
09:00-12:00

**Presentations and Discussion**
1. Vertical Restraints and Coordination
   
   a. Vertical restraints and intra-brand coordination
   
   
   
   

   b. Vertical restraints and inter-brand coordination
   
   
   
   
   

2. Vertical Foreclosure
   
   
   
   
   
   
   
3. Horizontal Foreclosure: Tying and Bundling


4. Entry Barriers

- Bedre-Defolie and Biglaiser, “Contracts as Barriers to Entry in Markets with Non-pivotal Buyers”, forthcoming at *American Economic Review*.

5. Competing for Exclusivity


6. Two-Sided Markets