

Syllabus for “Regulation in Product Markets”

Fall term 2014

Instructors: Baake, Pio (TU-Berlin / DIW); Bedre, Özlem (ESMT); Bester, Helmut (FU); Schmidt, Robert (HU-Berlin);

Structure: 15 two-hour lectures

Credits: 6 ECTS

Course Objectives:

The objective of the course is twofold. First, it familiarizes students with the most standard results and standard analyses of regulation in product markets. This part of the course addresses, in particular, regulatory issues due to market power and focuses on monopoly regulation. Second, the course discusses regulatory issues that are directly related to the research themes of the doctoral program, in particular the regulation of networks and environmental regulation.

Course Outline:

- I. Environmental Regulation (Schmidt)
- II. Antitrust and Merger Regulation (Bester)
- III. Regulation in Networks: two sided markets and the internet (Baake)
- IV. Regulation in Networks: interconnected networks and switching costs (Bedre-Defolie)

Literature:

Topic I: Environmental Regulation (Schmidt)

- Barrett, S. (2006): Climate Treaties and Breakthrough Technologies. *American Economic Review* 96: 22-25
- Edenhofer, O., N. Bauer and E. Kriegler (2005): The impact of technological change on climate protection and welfare: Insights from the model MIND. *Ecological Economics* 54: 277-292.
- Gerlagh, R. and W. Lise (2005): Carbon taxes: A drop in the ocean, or a drop that erodes the stone? The effect of carbon taxes on technological change. *Ecological Economics* 54: 241-260.
- Goulder, L.H. and K. Mathai (2000): Optimal CO₂ Abatement in the Presence of Induced Technological Change. *Journal of Environmental Economics and Management* 39: 1-38.
- Helm, C. (2003): International emissions trading with endogenous allowance choices. *Journal of Public Economics* 87: 2737-2747.
- Newell, R.G., W.A. Pizer (2003): Regulating stock externalities under uncertainty. *Journal of Environmental Economics and Management* 45: 416-432.
- Nordhaus, W.D. (1993): Rolling the DICE: an optimal transition path for controlling greenhouse gases, *Resource and Energy Economics* 15: 27-50.
- Weitzman, M.L. (1974): Prices vs. Quantities. *Review of Economic Studies* 41: 477-491.

Topic II: Antitrust and Merger Regulation (Bester)

- Friedman, J. (1971): A Noncooperative Equilibrium for Supergames, *Review of Economic Studies* 39, 1-12.
- Green, E. and R. H. Porter (1984): Noncooperative Collusion under Imperfect Price Information, *Econometrica* 52, 87-100.

- Rotemberg, J.-J. and G. Saloner (1986): A Supergame-Theoretic Model of Business Cycles and Price Wars During Booms, *American Economic Review* 76: 390-407.
- Salant, S. W., Switzer, S. und R. J. 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.
- Deneckere, R. und C. Davidson (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: 107-126.
- European Commission: Reports on Competition Policy.

Topic III: Regulation in Networks: two sided markets and the internet (Baake)

- Bourreau, M., Kourandi, F. and Valletti T. (2013): Net Neutrality with Competing Internet Platforms, Working Paper.
- Economides, N. and Hermalin, B. (2012): The Economics of Network Neutrality, *Rand Journal of Economics*, 43, 602-629.
- Economides, N. and Tag, J. (2012): Network Neutrality on the Internet: A two-sided market analysis, *Information Economics and Policy*, 24, 91-104.
- Hermalin, B.E. and M.L. Katz (2007): The Economics of Product-Line Restrictions with an Application to the Network Neutrality Debate, *Information Economics and Policy*, 19, 215-248.
- Rysman, M. (2009): The Economics of Two-Sided Markets, *Journal of Economic Perspectives*, 3, 125-143.

Topic IV: Regulation in Networks: interconnected networks and switching costs (Bedre-Defolie)

- Laffont, J.J, Rey, P. and J. Tirole (1998a): I. Overview and Nondiscriminatory Pricing. *The RAND Journal of Economics* 29(1): 1-37.
- Laffont, J.J, Rey, P. and J. Tirole (1998b): II. Price Discrimination. *The RAND Journal of Economics* 29(1): 38-56.
- Laffont, J.J., Markus, S. Rey, P. and J. Tirole (2003): Internet Interconnection and the Off-Net-Cost Pricing Principle. *The RAND Journal of Economics* 34(2): 370-390.
- Dessein, W. (2003): Network Competition in Non-linear Pricing. [The RAND Journal of Economics](#) 34(4): 593-611.**
- Klemperer, P. (1995): Competition When Consumers have Switching Costs: An Overview with Applications to Industrial Organization, Macroeconomics, and International Trade. *The Review of Economic Studies* 62(4): 515-539.
- Chen, Y. (1997): Paying Customers to Switch, *Journal of Economics and Management Strategy*, 6(4): 877-897.
- Farrell, J. and P. Klemperer (2007): Coordination and lock-in: Competition with switching costs and network effects. *Handbook of Industrial Organization* Vol. 3, pp. 1967-2072.

Schedule

Time: Fri., 2:15-3:45pm

Location: Room R21b, SPA1

Dates:

October 17: Robert Schmidt

October 24: Robert Schmidt

October 31: Robert Schmidt

November 7: Robert Schmidt

November 14: Helmut Bester

November 21: Helmut Bester

November 28: Helmut Bester
December 5: Pio Baake
December 12: no course
December 19: Pio Baake
January 9: Pio Baake
January 16: Pio Baake
January 23: Özlem Bedre
January 30: Özlem Bedre
February 6: Özlem Bedre
February 13: Özlem Bedre