

Topics in Industrial Organisation 2019/2020

The following lists serves as suggestions for students. Topics from this list can be chosen, but own ideas are appreciated. Please note that it is possible to write in either English or German. The Topics can be sorted into four main fields:

Digitalization, Behavioral Industrial Organisation, Advertisement, Competition Policy and others. For each of the topics within a field, there is a representative paper, on which the focus of the research can be concentrated.

A - Digitalization

A1 Platforms

1. Platforms, Promotion, and Product Discovery: Evidence from Spotify Playlists (Luis Aguiar Joel Waldfogel, 2018)

Streaming has emerged as an important channel for music consumption, and Spotify is the most prominent platform, with a higher market share than was held by retailers or radio stations in the digital era. While this levelled the playing field between already-prominent and new artists, new effects become important. This paper investigates with different methods, among others, the effects on the popularity of a song for making it into a global playlist, or cross-country differences in the ranking of songs.

2. Peer to Peer Markets (Liran Einav, Chiara Farronato, Jonathan Levin, 2015)

Peer-to-peer markets such as eBay, Uber, and Airbnb allow small suppliers to compete with traditional providers of goods or services. This paper aims to analyze and model the mechanisms how those markets work.

3. Tie Strength, Embeddedness & Social Influence: Evidence from a Large Scale Networked Experiment (Sinan Aral and Dylan Walker)

The authors of this paper use large-scale micro data to investigate the ties between members of big networks. For example, they find that individuals exerted an over sixfold increase in influence over peers currently living in the same town, but did not exert more influence over peers with whom they coappeared in online photos.

4. Matching and Sorting in Online Dating

In these papers, the authors investigate the online dating market. For example, they try to uncover whether users try to hide their true incentives, or whether different user groups react differently to attributes like income.

Hitsch, Gunter J., Ali Hortaçsu and Dan Ariely. 2010. "[What makes you click?—Mate preferences in online dating](#)" [Quantitative Marketing and Economics](#), December 2010, Volume 8, [Issue 4](#), pp 393–427

Hitsch, Gunter J., Ali Hortaçsu and Dan Ariely. 2010. "[Matching and Sorting in Online Dating](#)." *American Economic Review*, 100(1): 130-63.

Here is the [data](#).

5. Digital Content Aggregating Platforms

On 20.06.2018, the EU parliament had a vote on new laws for e.g. Content Aggregating Platforms. Petitions and demonstrations were held in an attempt to influence the law makers. The papers investigate the relation of news aggregators and traditional providers of News. In a case study involving Google they measure the effects of conflicts between both sides. Their research provides insightful.

Chiou, Lesley and Tucker, Catherine, [Content Aggregation by Platforms: The Case of the News Media](#), working paper

Jeon, Doh-Shin and Nasr, Nikrooz, [News Aggregators and Competition Among Newspapers on the Internet](#), *American Economic Journal: Microeconomics*, 2016, Forthcoming

A2 Other topics in Digitalization

6. Net Neutrality and Zero-Pricing Practice

The debate on net neutrality has been going on for years with decisions of the EU and the American governing body strongly criticized by some while supported by others. The papers provide a framework, which allows analyzing different aspects of both Net Neutrality and Zero-Pricing to evaluate implemented practices of regulators.

[Subsidizing Creativity through Network Design: Zero-Pricing and Net Neutrality](#), by Robin S. Lee and Tim Wu, *Journal of Economic Perspectives*, 2009

[Net Neutrality and the Inflation of Traffic](#), by Martin Peitz and Florian Schuett, *International Journal of Industrial Organization*, 2016.

7. Taxation of the Digital Economy

These theoretical papers build frameworks with which the effects of taxation on the internet can be analyzed. They consider monopolistic and competitive markets, the effects of different taxes on data collection by websites and more.

Jacques Crémer, [Taxing Network Externalities](#), working paper, 2015

Marc Bourreau, Bernard Caillaud, and Romain de Njis, [Digital Platforms, Advertising, and Taxation](#), working paper, 2015

Francis Bloch and Gabrielle Demange, [Taxation and Privacy Protection on Internet Platforms](#), working paper, 2015

8. Piracy of digital information goods (Paul Belleflamme and Martin Peitz, 2010)

This paper reviews the existing literature on digital piracy. It considers different reasons for pirating (commercial vs. private), situations in which it is socially harmful or socially beneficial and many other things.

9. The Economic Limits of Bitcoin and the Blockchain(Eric Budish, 2018)

This paper inspects the Bitcoin and considers equilibrium conditions. A big focus of the paper is the incentive to attack the Bitcoin as well as possible scenarios for the future of the Bitcoin.

10. Using alternative payment systems in Germany and Europe

The First paper analyzes how popular non-cash payment methods are in different countries like Germany, USA and Canada and the influence of socio-democratic factors like age, income or education. The second paper uses German Microdata to evaluate non-cash payment in Germany, also considering the effect of the socio-democratic factors.

[Consumer Cash Usage A Cross-Country Comparison with Payment Diary Survey Data](#), by John Bagnall, David Bounie, Kim P. Huynh, Anneke Kosse, Tobias Schmidt, Scott Schuh and Helmut Stix, 2014.

[Choosing and Using Payment Instruments: Evidence from German Microdata](#), by Ulf von Kalckreuth, Tobias Schmidt and Helmut Stix, 2011.

B - Behavioral Industrial Organisation

“In industrial organization’s influential long history, researchers have devoted tremendous attention to thinking about the precise details of the economic environment firms and regulators are operating in, and how these details influence firm behavior, market outcomes, and possibilities for welfare increasing intervention. [...] Yet until recently, researchers have devoted a comparatively tiny amount of attention to thinking about the individuals driving market outcomes: how consumers and managers perceive the environment they are operating in, what personal goals and expectations they have in going to the market, and how these goals interact with their individual mental capabilities to shape behavior.” (- Behavioral Industrial Organization by Heidhues and Köszegi). Behavioral Industrial Organisation closes this gap.

11. The Evolution of Brand Preferences: Evidence from Consumer Migration (Bronnenberg, Bart J., Jean-Pierre H. Dubé and Matthew Gentzkow. 2012)

The majority of consumers typically buy a single brand of beer, cola, or margarine, even though relative prices vary significantly over time, and consumers often cannot distinguish their preferred brand in blind “taste tests”. This paper evaluates the mechanisms behind brand loyalty and finds that preferences are strongly linked to which firm was the dominant player in the markets in which the consumer previously was.

[Data](#)
[Appendix](#)

12. Inferior Products and profitable Deception (Heidhues, Paul; Köszegi, Botond and Murooka, Takeshi, , Review of Economic Studies)

A model is introduced in which goods have hidden costs which consumers are unaware of, in addition to the normal costs of it. They find that especially socially harmful goods are profitable in their model and apply it on e.g. the credit card market.

13. Focusing and Framing of Risky Alternatives (by Dertwinkel-Kalt and Wenzel)

A framework is provided in which consumers can either focus on salient events associated with an option or to the expected utilities an option yields in different time periods. They predict overoptimistic consumers. Hence, this theory can explain phenomena such as excessive harmful consumption (smoking, unhealthy diet) and risky investments (entrepreneurship, lotteries, gambling) in one coherent framework.

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14. Salience in Retailing: Vertical Restraints on Internet Sales (by Helfrich and Herweg)

It can frequently be observed, that brand manufacturers prohibit the sale of their product in online shops through retailers. This paper shows that, if consumer attention is drawn to the salient attribute, which will often be the price if the product is offered in the internet, both consumer and total welfare might be increased by banning the possibility for prohibition.

15. Fungibility and consumer choice (by Hastings and Shapiro)

This paper aims to test different attention based theories of choice. They formulate a test on how fungible money for gas is with the rest of the household budget. While they find strong evidence, that attention based decision makers fit the observed data significantly better than rational decision makers, the results are in line with the different tested attention based theories.

16. Failing to Choose the Best Price: Theory, Evidence, and Policy (by Grubb)

Both the “law of one price” and Bertrand’s prediction of marginal cost pricing for homogeneous goods rest on the assumption that consumers will choose the best price. In practice, consumers often fail to choose the best price. This paper evaluates different mechanisms for this, applies their model on Mexico’s private social security market and delivers possible policy solutions.

17. Competition over Context-Sensitive Consumers (by Apffelstaedt and Mechtenberg)

When preferences are sensitive to context, firms may influence purchase decisions by designing the environment of consumption choices. Firms might try to lure in consumers with low-price low-quality products and design the environment such that high-price high-profit products are bought (a practice called upselling in the BWL). A similar argument might be made for luring in with a high-quality product. They analyze which effects this strategy has and find that even if just a share of consumers can be deceived, such a strategy provides profitable.

18. Memory, Attention, and Choice (by Bordalo, Gennaioli and Shleifer)

They first provide a framework in which the experience of a consumer is able to influence the current decision process. They also include the effect of a surprising change of what the consumer considered. Then they test their model on a data set, which contains the renting decisions of households after moving and find that the city in which the household previously lived has a significant influence on the current evaluation of renting prices.

19. Competition for attention (by Bordalo, Gennaioli and Shleifer)

The perception of a good is influenced by the other available goods in the market. First, they model how this influences the competition and show that for the long run there might be price-salient or quality-salient equilibria. Then they explain how their model accounts for the fact, that Starbucks did not only gain huge market shares, but much rather revolutionized the coffee market in America by *changing* the demand!

C - Advertisement

20. Targeted Advertising and Privacy

The first paper deals with personalized advertisement. It analyzes in how far consumers react differently to personalized advertisement when they are given control over the personalization.

In the second paper the effect of different approaches to privacy protection are measured in the case of genetic testing.

Tucker, Catherine, '[Social Networks, Personalized Advertising, and Privacy Controls](#).', Journal of Marketing Research, Vol. 51, No. 5, October 2014, pp. 546-562.

Miller, Amalia and Tucker, Catherine, '[Privacy Protection, Personalized Medicine and Genetic Testing](#)', working paper

21. False Advertising

In the papers the effects of false advertisement, the ability to deceive consumers to buy a product believing it would be better than it is, are assessed. They present the possibilities of a lawmaker, and evaluate the effects of different policies. They find that protection against false advertising does not necessarily make the consumer better off.

[Rhodes, Andrew and Wilson, Chris, False Advertising and Consumer Protection Policy](#), working paper

Piccolo, Salvatore; Tedeschi, Piero and Ursino, Giovanni, [How Limiting Deceptive Practices Harms Consumers](#), RAND Journal of Economics, 2015

22. Effectiveness of keyword search advertising

They measure the effectiveness of different types of advertisement on ebay.

[Consumer heterogeneity and paid search effectiveness: A large scale field experiment](#), by Tom Blake, Chris Nosko and Steven Tadelis, 2014.

23. Are Ad-blockers socially useful?

As a reaction to the advertisements with which websites monetarize their content a part of the consumers tries to avoid such ads with ad blockers. Often this leads the website to apply different advertisement strategies, possibly triggering a spiral. This paper evaluates this process and cast doubt on the usefulness of subscriptions as an alternative.

[Platform Siphoning: Ad-Avoidance and Media Content](#), by Simon P. Anderson and Joshua S. Gans, 2011.

24. The Targeting of Advertising (Ganesh Iyer, David Soberman and J. Miguel VillasBoas, 2005)

The internet made it possible to advertise only to a specific group in a certain market. This paper examines advertising strategies when competing firms can target different groups of consumers within one market.

D – Competition policy

25. Siemens-Alstom merger

The proposed merger of the two largest european manufacturers of trains and railways infrastructure was turned down by the European Commission in February 2019. While the decision of the EU Commission was mostly based on the dominant position of the firms if the merger had gone through, politicians across Europe criticized the Commission saying that Europe needs champions in key industries to fight against global (in this case Chinese) rivals who are directly supported by their governments.

Representative (non-academic) papers:

http://europa.eu/rapid/attachment/IP-19-881/en/Siemens_Alstom_en.pdf

<https://www.ft.com/content/ba654170-2eb5-11e9-ba00-0251022932c8>

<https://www.econstor.eu/bitstream/10419/166227/1/cesifo-forum-v06-y2005-i2-p52-55.pdf>

<https://onlinelibrary.wiley.com/doi/pdf/10.1111/j.1530-9134.2009.00242.x>

26. Google vs. European Commission: Antitrust investigation of Google's practices

The European Commission investigated whether google uses its market power in the market for search engines to leverage it into other markets by granting competitive advantages to other segments of the firm. The Commission fined them for 2.42 billion €.

Representative (non-academic) paper:

http://www.europa.eu/rapid/press-release_IP-17-1784_en.htm

27. The Welfare Effects of Peer Entry in the Accommodation Market: The Case of Airbnb (Chiara Farronato and Andrey Fradkin)

Currently AirBnB challenges incumbents in the market for accommodation. Some big cities have even banned the service for different reasons. This paper starts with a framework to analyze the market and continues with an empirical investigation.

28. Ohio vs. American Express

American Express applied a pricing scheme, of which some claimed that it hurts low-income customer. The American supreme court ruled that this is not the case, and that the credit card market is not indeed two-sided!

https://www.supremecourt.gov/opinions/17pdf/16-1454_new_1a72.pdf

[Price Coherence and Excessive Intermediation](#) (Edelman, Wright)

29. Rise in Market Power(Jan de Loecker and Jan Eeckhout)

A novel method to estimate markups (defined as price over marginal costs) is used. They find that firms could increase their markups from around 20% in 1980 to over 60% in 2014. They link this to an increase in market power and discuss the large-scale implications of this increase.

30. Killer Acquisitions

Firms may acquire innovative targets to discontinue the target's innovation projects and preempt future competition. Such acquisitions are called "killer acquisitions." Prominent examples can be found in the digital markets, where large digital businesses may be blocking innovation by buying (potentially rival) tech start-ups.

http://faculty.som.yale.edu/songma/files/cem_killeracquisitions.pdf

<https://www.wired.com/story/facebook-aggressive-moves-on-startups-threaten-innovation/>
<https://www.lexology.com/library/detail.aspx?g=2825b2ab-409e-47de-a6e4-a923f92314b5>

Others:

31. Coming apart? Cultural distances in the United States over time (Marianne Bertrand and Emir Kamenica)

The American presidential election showed a picture of a very divided country. This paper analyzes temporal trends in cultural distance between groups in the US defined by income, education, gender, race, and political ideology.

32. Management and Firm Performance

In the paper, a deep evaluation between the management process and the productivity of firms is done. Different ways of how management influences productivity are discussed, and a comparison between different countries and sectors is applied.

Nicholas Bloom, Renata Lemos, Raffaella Sadun, Daniela Scur and John Van Reenen, 2014, Journal of the European Economic Association

[THE NEW EMPIRICAL ECONOMICS OF MANAGEMENT](#)

Data:

<http://worldmanagementsurvey.org/survey-data/download-data/>

33. The Economics of Franchising

The suggested paper uses a panel data set to investigate the shares of outlets owned by the main company as opposed to a franchisee, especially considering the experience of the franchisor as well as the value of the brand.

The book deals with a variety of aspects of franchising.

Francine Lafontaine and Kathryn L. Shaw. 2005

[Targeting Managerial Control: Evidence from Franchising](#), *Rand Journal of Economics*, Vol. 36, No. 1, pp. 131-150.

[The Economics of Franchising](#), by Roger D. Blair and Francine Lafontaine, 2005. (book)