

Emerging Issues in Competition Economics and Antitrust

Professor: Florian Ederer (Yale University)

Dates: 6-10 September 2021

Hours: 15:30-18:30 CEST

Intended Audience

Theoretical and empirical researchers with an interest in emerging issues in antitrust and competition economics

Prerequisites

Students need to be proficient in graduate level microeconomic theory and econometrics. Introductory graduate level industrial organization is recommended. Tirole's "The Theory of Industrial Organization" textbook is a good reference.

Overview

The course is divided in five topics, each of them covered in one lecture. In each topic, we will survey the relevant theory, critically examine the existing empirical literature, and discuss theoretical and empirical research challenges going forward.

A comprehensive survey of some of the topics we will cover in this course is the latest IO handbook chapter on "Collusion, Mergers, and Related Antitrust Issues" by John Asker & Volker Nocke (<https://www.nber.org/papers/w29175>). "Antitrust: What went wrong and how to fix it" by Carl Shapiro (<http://faculty.haas.berkeley.edu/shapiro/fixingantitrust.pdf>) provides an excellent overview of the broader antitrust debate.

Topics

1) Markups and the Rise of Market Power

- Jan De Loecker & Jan Eeckhout & Gabriel Unger, 2020. "The Rise of Market Power and the Macroeconomic Implications," Quarterly Journal of Economics, vol 135(2), pages 561-644. <https://www.janeeckhout.com/wp-content/uploads/RMP.pdf>
- David Autor, David Dorn, Lawrence F Katz, Christina Patterson, John Van Reenen "The Fall of the Labor Share and the Rise of Superstar Firms" Quarterly Journal of Economics, Volume 135, Issue 2, May 2020, Pages 645–709. <https://academic.oup.com/qje/article/135/2/645/5721266>

- Edmond, Chris, Virgiliu Midrigan, and Daniel Yi Xu. "How costly are markups?" NBER Working Paper, 2018. <http://www.virgiliumidrigan.com/uploads/1/3/9/8/13982648/how-costly-markups-05-06-21.pdf>
- Demirer, Mert. Production function estimation with factor-augmenting technology: An application to markups. MIT Working Paper, 2020. https://demirermert.github.io/Papers/Demirer_production_function.pdf
- Berry, Steven, Martin Gaynor, and Fiona Scott Morton. "Do increasing markups matter? lessons from empirical industrial organization." Journal of Economic Perspectives 33.3 (2019): 44-68. <https://www.aeaweb.org/articles?id=10.1257/jep.33.3.44>

2) Innovation and Antitrust

- Cunningham, Colleen, Florian Ederer, and Song Ma. "Killer Acquisitions." Journal of Political Economy 129.3 (2021): 649-702. <https://florianederer.github.io/killer.pdf>
- Segal, Ilya, and Michael D. Whinston. "Antitrust in innovative industries." American Economic Review 97.5 (2007): 1703-1730. <https://www.aeaweb.org/articles?id=10.1257/aer.97.5.1703>
- Antitrust and Innovation: Welcoming and Protecting Disruption, Giulio Federico, Fiona Scott Morton, Carl Shapiro. in Innovation Policy and the Economy, Volume 20, Lerner and Stern. 2020. <https://www.nber.org/papers/w26005>
- Letina, Igor, Armin Schmutzler, and Regina Seibel. "Killer acquisitions and beyond: policy effects on innovation strategies." University of Zurich, Department of Economics, Working Paper 358 (2020). <http://www.econ.uzh.ch/static/wp/econwp358.pdf>

3) Common Ownership

- Azar, José, Martin C. Schmalz, and Isabel Tecu. "Anticompetitive effects of common ownership." Journal of Finance 73.4 (2018): 1513-1565. <https://onlinelibrary.wiley.com/doi/abs/10.1111/jofi.12698>
- Backus, Matthew, Christopher Conlon, and Michael Sinkinson. "Common ownership in America: 1980-2017" American Economic Journal, 2021. <https://www.aeaweb.org/articles?id=10.1257/mic.20190389>
- Antón, M., Ederer, F., Giné, M., & Schmalz, M. C. (2020). "Common ownership, competition, and top management incentives" Yale SOM Working Paper. https://florianederer.github.io/common_ownership.pdf
- Backus, Matthew, Christopher Conlon, and Michael Sinkinson. "Common ownership and competition in the ready-to-eat cereal industry" No. w28350. National Bureau of Economic Research, 2021. https://61cabf8f-a-ab15346e-s-sites.googlegroups.com/a/umich.edu/mrb/files/backusconlonsinkinson_2021_wp_cereal.pdf

4) Monopsony and Labor Market Power

- Prager, Elena and Matt Schmitt. "Employer Consolidation and Wages: Evidence from Hospitals" American Economic Review, 2021, 111(2): 397-427. <https://www.aeaweb.org/articles?id=10.1257/aer.20190690>

- Azar, J., Marinescu, I., Steinbaum, M., & Taska, B. (2020). Concentration in US labor markets: Evidence from online vacancy data. *Labour Economics*, 66, 101886. <https://www.sciencedirect.com/science/article/pii/S0927537120300907>
- Dube, A., Jacobs, J., Naidu, S., & Suri, S. (2020). Monopsony in online labor markets. *American Economic Review: Insights*, 2(1), 33-46. <https://www.aeaweb.org/articles?id=10.1257/aeri.20180150>
- Naidu, Suresh, Eric A. Posner, and Glen Weyl. "Antitrust remedies for labor market power." *Harv. L. Rev.* 132 (2018): 536. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3129221

5) The Antitrust Challenges of Big Tech

- Hagiu, Andrei, Tat-How Teh, and Julian Wright. Should platforms be allowed to sell on their own marketplaces?. Working Paper, 2020. http://andreihagiu.com/wp-content/uploads/2020/08/DualModePlatform_20200818.pdf
- Affeldt, P., and R. Kesler (2021), Big Tech Acquisitions – Towards Empirical Evidence, *Journal of European Competition Law & Practice*, 21(6), 471-478, <https://doi.org/10.1093/jeclap/lpab025>
- Kesler, R., Kummer, M., and P. Schulte (2019), Competition and Privacy in Online Markets: Evidence from the Mobile App Industry, ZEW Discussion Paper No. 19-064, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3542203
- Dirk Bergemann, Alessandro Bonatti, and Tan Gan. "The Economics of Social Data," Cowles Working Paper. <https://cowles.yale.edu/sites/default/files/files/pub/d22/d2203-r3.pdf>
- Kamepalli, Sai Krishna and Rajan, Raghuram G. and Zingales, Luigi, Kill Zone (2021), Becker Friedman Institute for Economics Working Paper No. 2020-19 https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3555915

Biography

Florian Ederer is an Associate Professor of Economics at the Yale School of Management and a Research Staff Member at the Cowles Foundation for Research in Economics. Professor Ederer's research which has been widely published in leading journals, is in the areas of organizational economics, innovation, and behavioral economics. It focuses on the incentive design in organizations, how it shapes innovation and how it is in turn affected by social interactions and more realistic assumptions about the motives of principals and agents. Some of his recent work explores the impact of common ownership on managerial compensation and the existence and pervasiveness of "killer acquisitions" that prevent startups from challenging dominant market incumbents. In his academic work he draws on a broad set of tools often combining theoretical models, experimental methods, and empirical analysis. Prior to joining the Yale School of Management Professor Ederer was a faculty member of the UCLA Anderson School of Management. He earned his doctorate in economics at the Massachusetts Institute of Technology and his master's and undergraduate degrees from the University of Oxford.

Further Reading

- Esteban Rossi-Hansberg, Pierre-Daniel Sarte & Nicholas Trachter "Diverging Trends in National and Local Concentration" NBER Macro Annual 2020, <https://www.princeton.edu/~erossi/DTNLC.pdf>

- Bruce A. Blonigen & Justin R. Pierce “Evidence for the Effects of Mergers on Market Power and Efficiency”, NBER Working Paper 22750, October 2016, <https://www.nber.org/papers/w22750>
- Raval, Devesh, Testing the Production Approach to Markup Estimation (October 21, 2020). Available at SSRN: <https://ssrn.com/abstract=3324849>
- Callander, Steven and Foarta, Dana and Sugaya, Takuo, Market Competition and Political Influence: An Integrated Approach (June 1, 2021). CEPR Discussion Paper No. DP16210, Available at SSRN: <https://ssrn.com/abstract=3886652>
- Besley, Timothy, Nicola Fontana, and Nicola Limodio. 2021. "Antitrust Policies and Profitability in Nontradable Sectors." American Economic Review: Insights, 3 (2): 251-65. <https://www.aeaweb.org/articles?id=10.1257/aeri.20200316>
- Callander, Steven and Niko Matouschek “The Novelty of Innovation: Disruption, Competition, and Antitrust Policy,” Management Science, 2021 (forthcoming). https://sjc.people.stanford.edu/sites/g/files/sbiybj4051/f/competition_31march2021.pdf
- Ostrovsky, Michael. "Choice Screen Auctions" Stanford GSB Working Paper. <https://web.stanford.edu/~ost/papers/csa.pdf>
- Kotapati, B and Mutungi, Simon and Newham, Melissa and Schroeder, Jeff and Shao, Shili and Wang, Melody “The Antitrust Case Against Apple” SSRN Working Paper. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3606073