

**MW86 Seminar:
“Regulation of market entry”
Summer semester 2021
Jun.-Prof. Dr. Biliana Yontcheva**



Content:

In this course, we will discuss the choice of optimal competition policy in markets where free entry results in market failure. In the first block of the lecture, the characteristics of industries in which restricting the entry of new competitors raises overall welfare will be outlined. In the second block, we will discuss the different policy options available to regulators (public monopoly, licensing and other types of restrictions) and analyze the inherent tradeoffs across these options. In the last block, the focus will be on policies aiming to incentivize additional entry, such as subsidization of demand and supply. Each topic will be discussed on the basis of an empirical paper focusing on a specific industry, in order to illustrate the practical significance of these policies.

Target group:

This course is aimed at Master students in Economics or Business Administration.

Organization:

An introductory lecture will be held at the beginning of the semester (15.04.2021). This part of the course will provide students with an overview of the literature. Possible topics for presentations and term papers will be outlined. After the introduction, students will select a topic. In the second part of the lecture, individual work will take place, with multiple opportunities for consultations. Between May and July, students will make presentations of their topics (approx. 20 minutes) and participate in online discussions. To complete the course, they will write a short term paper. The deadline for submission of term papers is the 15th of August 2021.

Prerequisites:

Students attending the lecture should have completed at least one introductory econometrics course and one microeconomics course during their studies.

Language:

The course will be conducted in English (the literature and presentations will be in English; term papers will be accepted in both German and English).

Examination process:

Term paper (70%), presentation (30%).

Workload:

2 SWS (4 ECTS)

Seminar paper topics and literature:

Specific papers and topics will be discussed and assigned during the introductory part of the course. A list of possible presentation topics, together with suggested literature, is provided below.

1. Too much of a good thing? Excess entry on unregulated markets

Hsieh, C. T., & Moretti, E. (2003). Can free entry be inefficient? Fixed commissions and social waste in the real estate industry. *Journal of Political Economy*, 111(5), 1076-1122.

2. Excess innovation and product variety

Eizenberg, A. (2014). Upstream innovation and product variety in the US home PC market. *Review of Economic Studies*, 81(3), 1003-1045.

3. Public monopoly and product availability

Seim, K., & Waldfogel, J. (2013). Public monopoly and economic efficiency: evidence from the Pennsylvania liquor control board's entry decisions. *American Economic Review*, 103(2), 831-62.

4. Private entry under public control (licensing)

Schaumans, C., & Verboven, F. (2008). Entry and regulation: evidence from health care professions. *RAND Journal of Economics*, 39(4), 949-972.

5. Entry restrictions, quality and managerial effort

Bloom, N., Propper, C., Seiler, S., & Van Reenen, J. (2015). The impact of competition on management quality: evidence from public hospitals. *Review of Economic Studies*, 82(2), 457-489.

6. Entry restrictions and innovation

Aghion, P., Blundell, R., Griffith, R., Howitt, P., & Prantl, S. (2009). The effects of entry on incumbent innovation and productivity. *Review of Economics and Statistics*, 91(1), 20-32.

7. Too little of a good thing? Insufficient entry and subsidization

Pavan, G. (2017). Green car adoption and the supply of alternative fuels. *Working Paper*.

Contacts:

If you have further questions, please send an e-mail to yontcheva@dice.hhu.de. Additional information can be found on the ILIAS platform.