

MW86 Seminar:
**“Current topics in industrial economics:
inflation and competition”**
Summer semester 2023
Jun.-Prof. Dr. Biliana Yontcheva



Content:

In this course, we will discuss the connection between market concentration and inflation. In the first block of the lecture, we will look at changes in the competitive environment prior to the onset of the current inflation period. We will also discuss the drivers of inflation in recent months and build expectations regarding groups of consumers and firms which are most likely to be affected by rising costs. Having determined the trends in market concentration and price inflation, in the second block we will then consider how these two processes interact. In particular, we will focus on the connection between firm margins and inflation and demonstrate how inflation affects consumer information, as well as the distribution of market power and cost pass-through. In the third block, we will look at the connection between competition in specific product niches and the cost-of-living. Within this block, we will also discuss distributional effects and the differential impact of inflation on different income groups. Finally, in the fourth block, we will talk about potential policy interventions to support firms and consumers during the crisis.

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 (05.04.2023 at 14:30 in Room 24.21 - 2421.01.85). Interested students can then contact the lecturer in order to sign up for a specific presentation topic by the end of April. The final presentations will take place in June (the date will be selected based on lecturer and student availability). To complete the course, students need to write a short term paper. The deadline for submission of term papers is the 15th of August 2023.

Prerequisites:

Students attending the lecture should have completed at least one introductory economics 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 (60%), presentation (30%), discussion (10%).

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.

Block 1: Current trends in market concentration and inflation

De Loecker, J., Eeckhout, J., & Unger, G. (2020). The rise of market power and the macroeconomic implications. *The Quarterly Journal of Economics*, 135(2), 561-644.

Koltay, G., Lorincz, S., & Valletti, T. M. (2022). Concentration and competition: Evidence from Europe and implications for policy. *CESifo Working Paper No. 9640* Available at SSRN: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4069206

OECD (2022), OECD Economic Outlook, Interim Report March 2022: Economic and Social Impacts and Policy Implications of the War in Ukraine, OECD Publishing, Paris, <https://doi.org/10.1787/4181d61b-en>.

Block 2: Inflation, cost-pass through and market power

Gwin, C. R., & Taylor, B. A. (2004). The role of search costs in determining the relationship between inflation and profit margins. *Journal of Money, Credit and Banking*, 139-149.

Bräuning, F., Fillat, J. & Joaquim, G. (2023) Cost-Price Relationships in a Concentrated Economy. Available at SSRN: <https://ssrn.com/abstract=4142715>

Lach, S., & Tsiddon, D. (1992). The behavior of prices and inflation: An empirical analysis of disaggregated price data. *Journal of Political Economy*, 100(2), 349-389.

Block 3: Inflation, product entry and income inequality

Jaravel, X., & O'Connell, M. (2020). Real-time price indices: Inflation spike and falling product variety during the Great Lockdown. *Journal of Public Economics*, 191, 104270.

Jaravel, X. (2019). The unequal gains from product innovations: Evidence from the us retail sector. *The Quarterly Journal of Economics*, 134(2), 715-783.

Block 4: Policy interventions

Bethuyne, G., Cima, A., Döhring, B., Lindén, Å. J., Kasdorp, R., & Varga, J. (2022). Targeted income support is the most social and climate-friendly measure for mitigating the impact of high energy prices. *VoxEU.org*, 6.

Montag, F., Sagimuldina, A., & Schnitzer, M. (2021). Does tax policy work when consumers have imperfect price information? Theory and evidence.

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.