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WIRTSCHAFTSTHEORETISCHES FORSCHUNGSSEMINAR

RESEARCH SEMINAR IN ECONOMIC THEORY

November 6th 2008

Hörsaal II
Institut für Höhere Studien
Stumpergasse 56, 1060 Wien

4:00pm

Rani Spiegler,
University College London:

“Consideration Sets and Competitive Marketing”
Abstract printed on the next page

5:30pm

Maarten C. W. Janssen
University of Vienna:

“Do Auctions Select Efficient Firms?”
Abstract printed on the next page

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NOTE: Participation of advanced students in this seminar is highly recommended.



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ABSTRACTS

Rani Spiegler,
University College London:

“Consideration Sets and Competitive Marketing”

We study a market model in which competing firms use costly marketing devices to influence the set of alternatives which consumers perceive as relevant. Consumers in our model are boundedly rational in the sense that they have an imperfect perception of what is relevant to their decision problem. They apply well-defined preferences to a “consideration set”, which is a function of the marketing devices employed by the firms. We examine the implications of this behavioral model in the context of a competitive market model, particularly on industry profits, vertical product differentiation, the use of marketing devices and consumers’ conversion rates.

with Kfir Eliaz (Brown University, Providence).

Maarten C. W. Janssen
University of Vienna:

“Do Auctions Select Efficient Firms?”

This paper considers a government auctioning off multiple licenses to firms that compete in a market after the auction. Firms have different costs, and cost efficiency is private information at the auction stage and at the market competition stage. If only one license is auctioned, standard results say that the most efficient firm wins the auction (license) as it will get the highest profit in the aftermarket, i.e., it has the highest valuation for the license. This paper argues that this result does not generalize to the case of multiple licenses and aftermarket competition. In particular, we determine conditions under which auctions may select inefficient firms and therefore lead to an inefficient allocation of resources. Strategic interaction in the aftermarket, in particular the fact that firms prefer to compete with the least cost-efficient firms rather than with the most efficient firms, is responsible for this result.

with Vladimir A. Karamychev (Erasmus University Rotterdam).

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