How will the course Theoretical I.O. be graded?

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To get a grade for Industrial Organization Theory you hand in an essay. The essay should be at max. 10 pages and either in pdf form or hard copy.

To do yourself a favor, I would suggest to type in LaTeX. You can use Scientific Word (or Workplace) to type in LaTeXbut this is actually not a very good idea (certainly not if you plan to write a PhD thesis). If –for some reason– you like WYSIWYG editors, it is better to consider Lyx (`www.lyx.org`). To give you more control over LaTeX, you can use WinEdt (`www.winedt.com`). But the superior editor is Emacs (`www.gnu.org/software/emacs/`). Combining this with Auctex (`www.gnu.org/software/auctex/`) gives you all the WYSIWYG features that you need. Learning LaTeXand how to use Emacs may be the most productive choice you make for your PhD.

The idea of the essay is to show me that you understood the course and mastered the literature on bargaining with externalities. The way to do this is to write a referee report on a paper with bargaining externalities.

We have discussed a number of papers with bargaining externalities in class; do not choose one of these papers (it will be hard to impress me with a paper that I explained to you myself...). Perhaps you have come by a paper with bargaining externalities in another course or you have read one yourself; perhaps with an eye on your thesis.

If you have not found a suitable paper by yourself, Segal (1999) is a good starting point to find papers with bargaining externalities.

Once you have chosen a paper to discuss, the idea is that you write an extended referee report; focusing on the bargaining externalities.

The first few pages of your essay should be spent on introducing the model of the paper and its main results.

What we have learned during the lectures, is that the details of the bargaining procedure matter. Who makes the offer? Is the offer a singleton contract or a menu of contracts? Are offers public or private? Do beliefs matter? If yes, which beliefs were chosen and how would things differ with other beliefs? Are the outcomes robust with respect to the introduction of a menu contract? Would there be additional cost to get unique implementation?

You do not need to go over all these issues. Choose the ones that seem most interesting to you and most relevant to the paper. Discuss how these issues would affect the results of the paper. What happens to efficiency and to the distribution of rents between parties?

The more precisely you describe these effects the more you will impress me and the higher your grade. But math is not enough, you also need to explain the intuition of your results/claims. Why do we get better/worse efficiency outcomes if players use contract menus instead of singleton contracts? etc.