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Department of Economics

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Citizenship

Australian

Employment

Assistant Professor (Tenure Track), Department of Economics, University of Colorado at Boulder, 2007–Present.

Research Assistant, Competition and Market Regulation Group, DLA Phillips Fox (2004–2005).

Education

PhD, 2007 (University of Melbourne)

Master of Economics, 2003 (La Trobe University)

Post Graduate Diploma in Economics, 2002 (La Trobe University)

Bachelor of Engineering (Civil) with Honours, 2000 (University of Melbourne)

Bachelor of Arts, 2000 (University of Melbourne)

Research Interests

Industrial Organisation, Microeconomic Theory (especially Price Theory) and Game Theory.

Peer Reviewed Publications

Addictive Drug Use Management Policies in a Long-Run Economic Model (with Harry Clarke), *Australian Economic Papers* 48, 151–165.

Articles Under Review

Exit Deterrence (with Joshua Gans)

Abstract: This paper is the first to provide a general context whereby potential entry can lead incumbent firms to permanently reduce the intensity of competition in a market. All previous results found that potential entry would lead to lower prices and greater competition. Examining markets where entry occurs by the acquisition of access rights from an existing incumbent, we demonstrate that, where competitive choices are strategic complements, a more efficient entrant may be unable to acquire those rights from a less efficient incumbent due to the accommodating behavior of the efficient incumbent. Similarly, such accommodating behavior may deter efficient investment by an incumbent. These results have implications as to how economists view potential entry and its benefits.

A Constrained Coalitional Approach to Price Formation

Abstract: Pure strategy Bertrand Nash equilibria do not typically exist for a number of simple market structures; two prominent examples are price competition with convex costs and spatial competition with finite buyers. This paper develops an alternative model of price formation. The model examines as a non-transferable utility (NTU) coalitional game the set of outcomes that are feasible in the Bertrand price setting game.

In spatial models with finite buyers the core of this NTU coalitional game is equivalent to the set of outcomes that can be produced by undercut-proof prices.

In a market for a homogeneous good, where sellers face convex costs, the market clearing price is always in the core. Moreover, where at least two sellers compete on the supply side, as buyers become numerous the core collapses to only admit market clearing outcomes.

In some settings the price setting game developed in this paper produces results that contradict the predictions of Bertrand. Where this occurs the core outcomes tend to be more efficient than the corresponding Bertrand-Nash equilibrium. For example, double-marginalisation is never a core outcome in vertically related markets.

Spatial Competition with Discrete Buyers

Abstract: This paper investigates the consequence of replacing the continuum of buyers, with a large but finite set of buyers, in common spatial models. It is shown that the maximum stable mark-ups on both the Hotelling line and circle are halved where the continuum is replaced by an arbitrarily large number of discrete buyers. The difference arises because the intensity of competition at the margin increases where sellers are competing for an atom.

The quantitative difference in mark-ups has implications for both location choice on the unit line, and seller entry on the unit circle. The symmetric equilibrium locations are $3/8$ and $5/8$, while increased competition at the margin reduces, but does not eliminate, over entry on the unit circle. It is also shown that either introducing

uncertainty associated with each individual buyer's location or imposing a coarse price grid, causes the model to converge to the continuum case.

Work in Progress

Collusion at the Extensive Margin (with Joshua Gans).

Patience, Mobility and Edgeworth Cycles (with Yongmin Chen & Stephen King).

Aggregate Price Level Preserving Sales (with Yongmin Chen & Stephen King).

Price Competition on Buyer-Seller Networks, working paper, 2007.

Career Structure and Costless Hidden Actions: Understanding the Managerial Incentive Problem, working paper, 2007.

Trading Entitlements: An Examination of the Welfare and Distributional Impacts of Labour Reforms, working paper, 2007.

Teaching

Graduate Advanced Economic Theory (2009–), University of Colorado at Boulder.

Graduate Industrial Organisation (2007 & 2008), University of Colorado at Boulder.

Intermediate Microeconomics (2007–), University of Colorado at Boulder.

Competition and Strategy (2005), University of Melbourne.

2nd reader on two PhD. dissertation committees.

Supervisor for the fourth year undergraduate game theory reading group (2008).

Co-ordinator of the real analysis reading group for PhD students and faculty (2007–2008).

Dean's Certificate of Excellent Undergraduate Teaching (2005), awarded by the faculty of Economics and Commerce at the University of Melbourne.

Professional Activities

Departmental Seminar Series Co-ordinator (2008–Present).

Undergraduate Curriculum Committee (2009–Present).

Microeconomics Search Committee (2008–2009).

Office of Discrimination and Harassment, Standing Review Committee (2008–Present).

Graduate Curriculum Committee (2007–2008).

Editorial Committee: Econometric Society Australasian Meetings 2006.

Referee: American Economic Review, International Journal of Industrial Organization, Journal of Economics and Management Strategy, European Economic Review.

Conference Papers

7th International Industrial Organization Conference, "Can the Threat of Entry Reduce Competition?", 2009.

6th International Industrial Organization Conference, “Spatial Competition with Discrete Buyers”, 2008.

North American Summer Meeting of the Econometric Society, “A Constrained Coalitional Approach to Price Formation”, 2007.

The Information Economics Revolution: a conference in Honour of Sir James Mirrlees, “A Constrained Coalitional Approach to Price Formation”, (invited paper) 2007.

Industry Economics Conference, “Network Competition”, 2005.

22nd Australian Economic Theory Workshop, “Market Exchange in Buyer-Seller Networks”, 2004.

21st Australian Economic Theory Workshop, “Moral Hazard from Costless Hidden Actions”, 2003.

Invited Seminar Presentations

California Institute of Technology, University of California at San Diego, University of Colorado at Boulder, University of New South Wales, University of Sydney, Australian National University, University of Melbourne, La Trobe University.

Non-Refereed Publications

Leave trading: the pitfalls for workers (with Joshua Gans), *The Age*, 26 September, 2005.

References

Joshua Gans
Nicholas Flores
Scott Savage