

ROMÁN FOSSATI

[https://sites.google.com/site/fossatiroman/
roman.fossati@uc3m.es](https://sites.google.com/site/fossatiroman/roman.fossati@uc3m.es)

UNIVERSIDAD CARLOS III DE MADRID

Placement Director: Antonia Díaz	andiaz@eco.uc3m.es	(34) 91 624 5733
Placement Director: Juan J. Dolado	dolado@eco.uc3m.es	(34) 91 624 9300
Graduate Administrator: Arancha Alonso	phd@eco.uc3m.es	(34) 91 624 8624

Office Contact Information

Department of Economics
C/Madrid 126
Office: 9.0.43
Getafe, 28903, Madrid. Spain
Phone: (34) 91 624 9781 (Office)
(34) 68 033 0461 (Cell phone)
Fax: (34) 91 624 9329

Personal Information: Date of birth: November 20th, 1976. Citizenship: Argentine and Italian

Undergraduate Studies:

B.Sc., Economics, Universidad Nacional de La Plata (UNLP), 2001

Graduate Studies:

Ph D in Economics, Universidad Carlos III de Madrid, 2008 to present.

Thesis Title: “Essays on Firm Dynamics”

Expected Completion Date: June 2012

MA in Economics, Universidad Carlos III de Madrid, 2008

MA in Economics, Universidad Nacional de La Plata, 2006

References:

Susanna Esteban (Co-Advisor)
Department of Economics and Economic
History – Universitat Autònoma de Barcelona,
and Barcelona GSE, Bellaterra 08193, Spain.
Email: susanna.esteban@gmail.com
Phone: +34 93 581 2194

Nezih Guner (Co-Advisor)
MOVE, Department of Economics and Economic
History – Universitat Autònoma de Barcelona,
and Barcelona GSE, Bellaterra 08193, Spain.
Email: nezih.guner@movebarcelona.eu
Phone: +34 93 581 3068

Andrés Erosa
IMDEA Social Sciences
Parque Tecnológico de Madrid
Tres Cantos 28760, Spain.
Email: andres.erosa@imdea.org
Phone: +34 91 807 0796

Teaching and Research Fields:

Primary fields: Industrial Organization

Secondary fields: Quantitative Macroeconomics

Teaching Experience:

Teaching Assistant at Universidad Carlos III de Madrid
2008-ongoing Regulation and Competition Policy (Graduate, in English)
2007- ongoing Industrial Organization (Undergraduate, in Spanish)
2008-2009 Game Theory (Undergraduate, in Spanish)
2006-2008 Microeconomics II (Undergraduate, in Spanish)
2006 Econometrics I (Undergraduate, in Spanish)

Teaching Assistant at Universidad Nacional de La Plata
2005,2006 Mathematical Economics (Undergraduate, in Spanish)

Research Experience and Other Employment:

2001-2006 Bureau of Statistics and Census of Buenos Aires (Argentina). Regional Account Department (regional GDP estimation). Researcher.
2002,2005 Centro de Estudios Distributivos, Laborales y Sociales (CEDLAS-Universidad Nacional de La Plata, Argentina). Research Assistant.

Seminars/Conference Presentations:

2011 *European Economic Association*, 26th Congress, Oslo.
Society for Economic Dynamics, Annual Meeting, Gent.
ENTER Seminar, Mannheim Department of Economics.

2010 *ASSET* (Association of Southern European Economic Theorists), Alicante.
XXV Jornadas de Economía Industrial, Universidad Carlos III de Madrid.
Macro-Workshop, Universidad Carlos III de Madrid.
Conference on Dynamic Aspects in Economic Decision Making, Copenhagen.
ENTER Jamboree Conference, Toulouse School of Economics.

Other Activities

2010-Ongoing Co-Organizer, Student Seminar, Economics, Universidad Carlos III.
2010-2011 Co-Organizer, internal Student Only Seminar, Economics, Universidad Carlos III.

Other Skills

Languages: Spanish (native), English (fluent).
Computer skills: Matlab, Stata, Eviews, Gretl, Mathematica, LaTeX.

Honors, Scholarships, Grants and Fellowships:

2009-2012 Bank of Spain Excellence Programme in Education and Research, "The export decisions of individual firms: Market size, frictions and innovation", Principal Investigator: Diego Puga.
2009-2012 Research Associate Contract (Universidad Carlos III de Madrid).
2010-2011 Teaching Award, Department of Economics (Universidad Carlos III de Madrid).
2009-2011 Dean's letter for teaching excellence (Universidad Carlos III de Madrid).
2006-2009 UC3M PhD Scholarship and Tuition Waiver (Universidad Carlos III de Madrid).
2002,2005 Scholarship (CEDLAS, National University of La Plata).
2004 Research Grant and Funding (Universia and Banco Rio).
2001 Undergraduate Scholarship (Ministry of Economy, Buenos Aires).

Research Papers:

OUTSOURCING VERSUS VERTICAL INTEGRATION: A DYNAMIC MODEL OF INDUSTRY EQUILIBRIUM (Job Market Paper)

Empirical evidence shows that vertically integrated producers are more productive, bigger and are matched to better suppliers (with high productivity and size). In this paper I present a dynamic stochastic model of an industry with heterogeneous firms interacting as buyers and sellers, and market frictions that induce a hold-up problem to the manufacturers to account for these facts. The model economy gives rise to rich industry dynamics as manufacturer enter, exit and decide how to obtain their inputs, and an industrial structure emerges as the result of optimal investment decisions that firms undertake under uncertainty. In the model, manufacturers can obtain inputs from a market, make specific investments and establish links with particular suppliers or buy particular suppliers and get vertically integrated with them. In this framework, once a manufacturer buys from a supplier it cannot switch partner until next period, thus market frictions induce a hold-up problem to linked manufacturers. Moreover, uncertainty plays a key role. Given that under vertical integration manufacturers face a relatively high cost of governance, reflected by a higher fixed cost of production, vertical integration reduces flexibility against negative shocks. Therefore, there is a clear trade-off between links and vertical integration. On the one hand, a linked manufacturer has lower fixed costs but, faces higher endogenous variable costs (determined by the input price negotiation), relative to a vertically integrated manufacturer. On the other hand, becoming vertically integrated requires a larger investment, and imply higher fixed costs, but lower variable costs to manufacturers. This theoretical environment provides a natural framework to answer several questions: Why do supply relations vary across industries and across firms within industries? Why aren't all large firms vertically integrated? How do changes in the properties of uncertainty at firm level determine differences in the vertical structure of an industry? We find that higher uncertainty is associated with higher likelihood of outsourcing; vertically integrated firms are larger and more efficient; otherwise identical downstream firms may differ in their vertical structure, and those that are vertically integrated can end up disintegrated or remain integrated. We also analyze the effects of changes in costs of vertical integration and outsourcing on welfare, aggregate output and productivity.

DOES IT PAY SELLING TO BIG COMPANIES? FIRM DYNAMICS IN INTERDEPENDENT INDUSTRIES: GROWTH, SURVIVAL AND MISALLOCATION OF SUPPLIERS. (Work in progress)

The fortunes of a firm depends on demand for its products, which very often comes from other producers (in the US economy, total intermediate consumption represents about 45% of gross output). As a result, it is natural to think that the performance of the suppliers is affected by the economic environment of the downstream firms (final goods producers). In particular it depends on how shocks to downstream firms are transmitted to upstream ones (input producers). In this paper I develop an industry equilibrium model where demand shocks that final good producers face determine the growth and survival of upstream firms. The model economy consist of heterogeneous manufacturers and suppliers, with search friction. Suppliers face capacity constraints and need resources to increase their production. Manufacturers receive idiosyncratic demand shocks and decides for how many suppliers to search. As a result, small manufacturers are matched with few suppliers while large ones are matched with many. If a manufacturer has many suppliers, these suppliers compete with each other. Suppliers decide how much to invest in capacity expansion and to which group of manufacturers (big or small firms) they offer their inputs. When

manufacturers receive a positive demand shock, they increase the search intensity for the next period, and instantaneously increase the current demand for inputs to their linked suppliers paying higher prices for their inputs, and thus suppliers expand capacity. Besides, for the next period, suppliers linked to a growing manufacturer are more likely to compete harder with many suppliers. As a consequence, suppliers face a clear trade-off, if they sell inputs to small firms they sell lower quantities having excess capacity, but face less competition and have the chance to win higher profits if their linked manufacturers have a positive shock in demand. On the other hand, by selling to big firms they produce at full capacity, increase total sales, but they face harder competition more frequently. The equilibrium of this model yields: i) New suppliers tend to be smaller than incumbents and their size gap closes slowly over time, ii) Big manufacturers pay lower input prices than small ones, iii) Under certain conditions there is an equilibrium with misallocation of resources (inefficient suppliers are allocated to expanding manufacturers and efficient suppliers may only look for small manufacturers). I also analyze firms' input-output linkages as important channel of inter-firm transmission of shocks that induce changes in industry-specific outcomes such as profits, prices, sales, firm growth and survival.

IS LIST PRICING AND DISCOUNTING A PRO-COMPETITIVE PRICING INSTITUTION? TACIT COLLUSION IN A BERTRAND-EDGEWORTH DUOPOLY. (Work in progress, with Roberto Hernán González and Praveen Kujal)

List prices are often used by firms when advertising products in a catalogue. Once the price list is posted, sellers can offer discounts on it (they often reduce listed prices by 25%). Competition authorities, in some countries, view list pricing and discounting as a pro-competitive practice. However, the U.S. Department of Justice screens the use of list pricing as a possible collusion facilitating device. Given that accurate information on costs, production, and transaction prices is often scarce, it is empirically hard to distinguish between rival theories that better predict the pricing behavior of firms. Besides, even with reliable data at hand, too many relevant factors change at once to allow for a clean natural experiment. Therefore, in this paper we use laboratory methods to isolate and evaluate the effects of list pricing and discounting on collusion incentives in different controlled environments under the same market structure (we analyze differences in cost, capacity, and demand properties maintaining the same number of competitors and total capacity of the industry) and compare the results with theoretical predictions (mixed strategy Nash equilibrium, tacit collusion, Edgeworth pricing and competitive equilibrium).