Essays on the Theory of Organizations and Network Industries

In modern economies, the internal organization of a large firm is a daunting task for top management, which is often as important for its economic success and overall economic efficiency as its behaviour in markets. The three essays in this thesis are concerned with both aspects of economic life:

In a first essay, "Network Competition in Nonlinear Pricing", we analyze the market behaviour of firms in one of the largest semi-regulated industries in modern economies: local telecommunications. In particular, we investigate whether competition can be effective in a deregulated environment, or whether there is still a need for a strong regulatory involvement once competition has been introduced.

The second and third essay, in contrast, focus on the internal organization of the firm and in particular on the allocation of decision rights inside firms, or inside joint undertakings between firms:

- In "Authority and Communication in Organizations", we investigate how top management may make a better use of the information present in the organization by pushing decision rights lower in the hierarchy. Concretely, we show that as long as preference divergences are not too large, a principal prefers to delegate control to a better informed agent rather than communicating with this agent. We further identify cases in which the principal optimally delegates control to an 'intermediary'.

- In "Control Allocations in Joint Undertakings: Trading Formal for Real Authority", we point out how firms which want to pool their resources into a joint venture, may overcome informational asymmetries and build trust by contracting ex ante on decision rights.