

LSE Economics PhD Placement: Job Market Candidates

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PRIMARY FIELDS International Trade and Economic Geography

SECONDARY FIELDS: Applied Microeconomics

REFERENCES: Guy Michaels
Stephen Redding
John Van Reenen

JOB MARKET PAPER:
Advertising expenditure and consumer prices

ABSTRACT:

This paper studies the effect of a change in the marginal costs of advertising on advertising expenditures of firms and on consumer prices. I make use of a policy change in Austria, that involved an increase of the taxation of advertising in parts of the country, and a simultaneous decrease in other parts. I show that advertising expenditures of firms move quickly in the opposite direction to the marginal costs of advertising. Consumer prices increase with advertising in some industries, and decrease in others, depending on how informative or persuasive advertisements in different industries are. This is consistent with a new model of advertising that combines informative and persuasive forces.

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