

This thesis defines advertising very broadly - as any information that form consumers such that they change their consumption. Microeconomic models assume that consumers choose their consumption independently, and do not take into account that their wants can be changed due to actions of other market participants, which this thesis criticizes. Advertising is modelled with the Cobb-Douglas function as a good that is complementary to the good that is advertised. The models show that advertising decreases the total welfare only in some cases. If it is profitable for a firm to advertise, its production usually increases the total welfare.