

Syllabus - Graduate IO I (Fall 2015)

September 13, 2015

1 Course Info

- Course Name: Graduate IO I [Code: 310293], Fall 2015
- Time: Monday 8:55-11:45am (16 Weeks, First Class: Sept 14, 2015)
- Location: No. 4 Building, Room 204
- Course Page: http://zhentonglu.com/GradIO_Fall2015
- Instructor: Zhentong Lu
 - Office: Room 719, School of Economics
 - Office Hours: Monday 2:00 - 4:00pm
 - Email: lu.zhentong@mail.shufe.edu.cn
 - Website: <http://zhentonglu.com>

2 Course Description and Prerequisites

This course provides a graduate-level introduction to Industrial Organization. It is designed to expose students to a wide range of topics, industries, as well as techniques that the current researchers are studying and developing. It will help students to start conducting independent research in the IO field.

Rigorous training in advanced microeconomics/econometrics and basic programming skills in Matlab/Stata are required. Research experience (e.g., data collection and analysis) in certain industries would be very helpful.

3 Course Outline and Reading List (Tentative)

Suggested Texts

- J. Tirole, The Theory of Industrial Organization, MIT, 1988.
- D. Carlton and J. Perloff, Modern Industrial Organization, 3rd ed., Addison-Wesley, 1999.

Background Readings

- Tirole, Introduction
- F. Fisher, “Games Economists Play: A Noncooperative View”, Rand Journal of Economics, Spring 1989, 113-24.
- C. Shapiro, “The Theory of Business Strategy”, Rand Journal of Economics, Spring 1989, 125-137.
- K. Bagwell and A. Wolinksy, “Game Theory and Industrial Organization”, Handbook of Industrial Organization, Vol. III.
- D. Akerberg, L. Benkard, S. Berry and A. Pakes, “Econometric Tools for Analyzing Market Outcomes,” Handbook of Econometrics, Volume 6A, Chapter 63.

- P. Reiss and F. Wolak, “Structural Econometric Modeling: Rationales and Examples from Industrial Organization,” Handbook of Econometrics, Volume 6A, Chapter 64.
- L. Einav and J. Levin, “Empirical Industrial Organization: A Progress Report,” Journal of Economic Perspectives, Spring 2010, 145-62.

3.1 Static Models of Competition in Homogenous Good Markets

Theory

- Tirole, Chapter 5
- Kreps D. and J. Scheinkman, “Quantity Precommitment and Bertrand Competition Yield Cournot Outcomes,” Bell Journal of Economics, 1983.

Empirical

- Porter, R. “A Study of Cartel Stability: The Joint Executive Committee, 1880-1886”, Bell Journal of Economics, 1983.
- Genesove, D. and W. Mullin, “Testing Static Oligopoly Models: Conduct and Cost in the Sugar Industry, 1890-1914,” RAND Journal of Economics, 1998.

3.2 Product Differentiation

Theory

- Tirole, Chapter 7
- Shaked, A. and J. Sutton, “Relaxing Price Competition through Product Differentiation”, Review of Economics Studies, January, 1982.

Empirical

- Berry, S. “Estimating Discrete Choice Models of Oligopoly Product Differentiation”, Rand Journal of Economics, 1994.
- Berry, S., J. Levinsohn, and A. Pakes, “Automobile Prices in Market Equilibrium”, Econometrica, 1995.
- Nevo, A. “A Practitioner’s Guide to Estimation of Random-Coefficient Logit Models of Demand”, Journal of Economics and Management Strategy, 2000.

3.3 Price Dispersion and Search

Theory

- Varian, H. (1980) “A Model of Sales”, American Economic Review, 1980, pp. 651- 659.
- Hendricks, K., Sorensen, A., and Wiseman, T. “Observational Learning and Demand for Search Goods”, American Economic Journal: Microeconomics, 2012.

Empirical

- Sorensen, A. “Equilibrium Price Dispersion in Retail Markets for Prescription Drugs”, Journal of Political Economy, 2000, pp. 833-50.
- Hendricks, K. and A. Sorensen, “Information and Skewness in Music Sales”, Journal of Political Economy, 2009.
- Hortascu, A., B. Santos and M. Wildenbeest, “Testing Models of Consumer Search Using Data on Web Browsing and Purchases”, American Economic Review, 2012.

3.4 Advertising

Theory

- Tirole, chapters 2 and 7.
- Bagwell, K., “The Economic Analysis of Advertising”, Handbook of IO, Volume III.
- Piccione, M. and R. Spiegler, (2009), “Framing Competition”, working paper.
- Eliaz, K. and R. Spiegler, (2008), “Consideration Sets and Competitive Marketing”, mimeo.

Empirical

- Akerberg, D., “Empirically Distinguishing Informative and Prestige Effects of Advertising”, RAND Journal of Economics, 2001.
- R. Lewis and D. Reiley, “Does Advertising Work? Measuring the Effects of Advertising on Sales via a Controlled Experiment,” working paper, 2011.

3.5 Static Models of Entry and Exit

Theory

- Bulow, J., J. Geanakoplos, and P. Klemperer (1985) “Multimarket Oligopoly: Strategic Substitutes and Complements”, Journal of Political Economy, June, 1985, 488-511.
- Mankiw, N.G. and M.D. Whinston (1986) “Free Entry and Social Efficiency”, Rand Journal of Economics, Spring 1986, 48-58.

Empirical

- Berry, S., “Estimation of a Model of Entry in the Airline Industry”, Econometrica, July 1992.
- Bresnahan, T. and P. Reiss, “Entry in Monopoly Markets”, Review of Economic Studies, 1990.
- Berry, S. T. and J. Waldfoegel. “Free entry and social ineciency in radio broadcasting.” The Rand Journal of Economics, 1999.
- Ciliberto, F. and E. Tamer, “Market structure and multiple equilibria in airline markets.” working paper, 2004
- Pakes, A., J. Porter, K. Ho, and J. Ishii, “Moment inequalities and their application.” working paper.

3.6 Vertical Contracts and Integration

Theory

- Bernheim, D. and M. Whinston, “Exclusive Dealing,” JPE, 1998.
- Bolton, P. and M. Whinston, “Incomplete Contracts, Vertical Integration, and Supply Assurance,” ReSTud, 1993.
- Hart, O. and J. Tirole, “Vertical Integration and Market Foreclosure,” Brookings Papers on Economic Activity, 1990.

Empirical

- Asker, J. and A. Ljungqvist, “Competition and the Structure of Vertical Relationships in Capital Markets,” JPE, 2010.
- Hortacsu, A. and C. Syverson, “Cementing Relationships: Vertical Integration, Foreclosure, Productivity, and Prices,” JPE, 2007.
- Crawford, G., R. Lee, M. Whinston, A. Yurukoglu, “Vertically Integrated Regional Sports Networks,” mimeo.
- Villas-Boas (2007), “Vertical Relationships between Manufacturers and Retailers: Inference with Limited Data”, ReStud.

3.7 Antitrust Policy

Theory

- M. Whinston, “Lectures on Antitrust Economics”, mimeo.
- Rey, P. and J. Tirole, “A Primer on Foreclosure” in Handbook of IO, Volume III.
- J. Farrell and C. Shapiro, “Antitrust Evaluation of Horizontal Mergers: An Economic Alternative to Market Definition”, working paper.

Empirical

- Nevo, A., “Mergers with Differentiated Products: The Case of the Ready-to-Eat Cereal Industry,” RAND, 2000.
- Dafny, L., Duggan, M. and Ramanarayanan, S., “Paying a Premium on Your Premium? Consolidation in the U.S. Health Insurance Industry,” AER 2012.

4 Course Assessments

- attendance and readings (10%)
- problem sets (30%)
- presentation (30%) and referee report (10%) on an assigned paper
- term paper or research proposal (20%)

5 Academic Dishonesty

Academic dishonesty by the student code of conduct includes cheating on the assignments or exams; plagiarizing; altering; forging, or misusing a University academic record; taking, acquiring, or using test materials without faculty permission; and acting alone or in cooperation with another to enhance a grade, etc. A minimum penalty for academic dishonesty is a grade of zero. Other penalties may include a Fail in course and a complaint to university authorities so that they act consequently with the corresponding university policy.