

Economics 611.71 - Fall 2010 Syllabus
READING COURSE IN EMPIRICAL INDUSTRIAL ORGANIZATION
DEPARTMENT OF ECONOMICS
UNIVERSITY OF CALGARY

Instructor:	Eugene Choo	Place:	SS403
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Introduction:

This is a graduate level topics class in empirical industrial organization. The material covered in this term relates largely to firm behavior in oligopolistic markets, as well as consumer and firm behavior in environments with asymmetric information. There will be an emphasis on empirical (data-related) work, although theoretical work will also be presented and discussed, with a view towards motivating (1) how theory can be tested; (2) how theoretical models can be adapted into empirical models, in order to estimate theoretically important parameters.

Software

Assessment in the form problem sets and an empirical term paper. This will mean that students will have a first hand experience working with data. As such students will have to learn and use a statistical software package. You are free to use whatever package you wish (such as Matlab, Gauss or Stata.). Both Matlab and Stata are available in the Tri-Faculty Lab in the basement of the Social Science Building.

Evaluation:

- There will be 2-3 problem sets that will include a theoretical and an empirical component. Problem sets will be worth 50% of the final grade.
- There is also a final term paper worth 50%.
- The course grade is calculated using the weights indicated above. As a guide to determining standing, these letter grade equivalences will generally apply:

A+	95-100	A	87-94	A-	80-86	B+	75-79	B	65-74
B-	55-64	C+	50-54	C	45-49	D	40-44	F	< 40

Course Outline

Below I have listed the topics, largely in the order that they will be covered. We may skip and/or dawdle on certain topics as the interests of the class and time constraints dictate.

1. Introduction to Static Demand and Supply - Vertical and Horizontal Oligopoly Models

- Bresnahan, T., (1987): "Competition and Collusion in the American Automobile Oligopoly: The 1955 Price War", *Journal of Industrial Economics*, pp. 457-482.
- Berry, S. (1994); "Estimating Discrete Choice Models of Product Differentiation", *RAND*, pp. 242-262.
- Berry, S., J. Levinsohn, A. Pakes (1995): "Automobile Prices in Market Equilibrium", *Econometrica*, Vol. 63, No. 4, pp. 841-90.
- Pinelopi K. Goldberg, "Product Differentiation and Oligopoly in International Markets: The Case of The U.S. Automobile Industry", *Econometrica* 63 (July 1995).

2. Price Discrimination and Nonlinear Pricing

- Pinelopi K. Goldberg, "Dealer Price Discrimination in New Car Purchases: Evidence from the Consumer Expenditure Survey", *Journal of Political Economy* 104 (June 1996), 622-654.
- Shepard, A. (1991); "Price Discrimination and Retail Configuration" *Journal of Political Economy*, 99(1), 30-53.
- Leslie P. (2003): "Price discrimination in Broadway Theatre," *RAND*, forthcoming.
- Brian McManus "Nonlinear Pricing in an Oligopoly Market: the Case of Specialty Coffee" *RAND Journal of Economics*, Summer 2007.
- Ivaldi, M. and Martimort, D. "Competition Under Nonlinear Pricing." *Annales d'Economie et de Statistique*, 1994, 34, pp. 71-114.
- Eugenio J. Miravete, "Choosing the Wrong Calling Plan? Ignorance and Learning" *The American Economic Review*, Vol. 93, No. 1 (Mar., 2003), pp. 297-310
- Eugenio J. Miravete, "Estimating Demand for Local Telephone Service with Asymmetric Information and Optional Calling Plans", *Review of Economic Studies* Volume 69, Issue 4, pages 943-971, October 2002.

3. Network Effects and Switching Costs

- Gandalf, N., Kende, M., and Rob, R. “The Dynamics of Technological Adoption in Hardware/Software Systems: The Case of Compact Disc Players.” *RAND Journal of Economics*, 2000, 31, pp. 43-61.
- Goolsbee, A. and Klenow, P. “Evidence on Learning and Network Externalities in the Diffusion of Home Computers.” *Journal of Law and Economics*, 2002, XLV, pp. 317-44.
- Greenstein, S. “Did Installed Base Give an Incumbent Any (Measurable) Advantages in Federal Computer Procurement?.” *RAND Journal of Economics*, 1993, 24, pp. 1939-.
- Hong, S.-H. and Rezende, L. “Lock-in and Unobserved Preferences in Server Operating Systems Adoption: A Case of Linux vs. Windows.” *Manuscript. UIUC 2008*.
- Nair, H., Chintagunta, P., and Dube, J. “Empirical Analysis of Indirect Network Effects in the Markets for Personal Digital Assistants.” *Quantitative Marketing and Economics*, 2004, 2, pp. 23-58.
- Rysman, M. “Competition Between Networks: A Study of the Market for Yellow Pages.” *Review of Economic Studies*, 2004, 71, pp. 483-512.
- Saloner, G., and Shepard, A. “Adoption of Technologies with Network Effects: An Empirical Examination of the Adoption of Automated Teller Machines.” *RAND Journal of Economics*, 1995, 26, pp. 479-501.
- See <http://www.stern.nyu.edu/networks/site.html>

4. Empirical Models of Matching

- Morten Sorensen, “How Smart is Smart Money: An Empirical Two-Sided Matching Model of Venture Capital” mimeo Stanford University, available at <http://www.stanford.edu/~msoren/>
- Choo, E. and Siow, A. “Who Marries Whom and Why,” *Journal of Political Economy* 2006.
- Hitsch, Guenter, and Ali Hortacsu and Dan Ariely, “Matching and Sorting in Online Dating Markets,” *American Economic Review*, 100 (1) (2010).
- Matt Shum, Federico Echenique and SangMok Lee, “Aggregate Matchings” , Caltech working paper, available here: http://www.hss.caltech.edu/mshum/papers/aggregate_matchings.pdf

5. Empirical Search Models

- Glenn Ellison and Sara Fisher Ellison, “Search, obfuscation, and price elasticities on the internet.” *Econometrica*, Vol. 77, No. 2 (March, 2009), 427452
- Hong, Han and Matt Shum, “Using Price Distributions to Estimate Search Costs,” *RAND Journal of Economics*, Vol. 37, No. 2, Summer 2006 pp. 257275.
- Hortacsu, Ali and Chad Syverson “Product Differentiation, Search Costs, and the Welfare Effects of Entry: A Case Study of S&P 500 Index Funds,” *Quarterly Journal of Economics*, v. 119, May 2004.

6. Empirical Models of Auctions

- Susan Athey and Phillip Haile (2005a), “Non-Parametric Approaches to Auctions” Handbook of Econometrics, Volume 6A (2007), Edited by Heckman J. and Leamer E. also available at <http://kuznets.fas.harvard.edu/~athey/athey-haile-handbook.pdf>
- Susan Athey and Phillip Haile (2005b), “Empirical Models of Auctions” available at <http://kuznets.fas.harvard.edu/~athey/EmpiricalModels.pdf>
- “Identification of Standard Auction Models,” Susan Athey and Phillip Haile, *Econometrica*, 70(6), November 2002, 21072140.
- Hendricks, Ken and Rob Porter (1988), “An Empirical Study of an Auction with Assymmetric Information”, *AER*, 78, 865-883.
- Guerre, Perrigne and Vuong (2000), “Optimal Nonparametric Estimation of First Price Auctions”, *Econometrica*, 68, 525
- “An introduction to the structural econometrics of auction data”, MIT Press, Harry Paarsch and Han Hong