

Industrial Organization 234  
Winter 2003

Professor Michael Noel

The course provides a graduate level introduction to Industrial Organization. It presumes a familiarity with micro theory, basic game theory and some econometrics.

The primary text for the course is Jean Tirole's, *The Theory of Industrial Organization*, (Cambridge: MIT Press, 1988). The text provides an overview of most of the theoretical topics, while the journal articles below are primarily of an empirical nature. Follow the links; there is no course reader. The starred readings are required.

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## I. Introduction

\* Tirole, Introduction.

\* R. Schmalensee, "[Industrial Economics- An Overview](#)," *Economic Journal*, 98 (September 1988), 643-681.

## II. Monopoly Pricing & Price Discrimination

\* Tirole, Chapter 1 & 3.

W. Oi. "A Disneyland Dilemma: Two Part Tariffs for a Mickey Mouse Monopoly," *Quarterly Journal of Economics*, 85 (Feb. 1971), pp. 77-96.

W. Harris, "Captive Audiences and the Price of Popcorn," *Pennsylvania Economic Review*, 5 (1996), pp. 39-46.

E. Blackstone, "Restrictive Practices in the Marketing of Electrofax Copying Machines: The SCM Corporation Case," *Journal of Industrial Economics* 23 (March 1975), 189-202.

\* A. Shepard, "[Price Discrimination and Retail Configuration](#)," *Journal of Political Economy* 99 (February 1991), pp. 30-53.

\* S. Borenstein and N. Rose, "[Competition and Price Dispersion in the U.S. Airline Industry](#)," *Journal of Political Economy*, 102 (August 1994), pp. 653-683

\* P. K. Goldberg, "[Dealer Price Discrimination in New Car Purchases- Evidence from the Consumer Expenditure Survey](#)," *Journal of Political Economy*, 104 (June 1996), 622-654.

\* P. Leslie, "[Price Discrimination in Broadway Theatre](#)," mimeo, 1999.

J. Chevalier, A. Kashyap and P. Rossi, "Why Don't Prices Rise During Periods of Peak Demand? Evidence from Scanner Data," mimeo, 2001.

A. Nevo and I. Hendel, "Sales and Consumer Inventory," mimeo, July 2002.

A. Nevo and I. Hendel, "Measuring the Implications of Sales and Consumer Stockpiling Behavior," mimeo, July 2002.

A. Nevo and C. Wolfram, "Why Do Manufacturers Issue Coupons? An Empirical Analysis of Breakfast Cereals," *RAND Journal of Economics*, 33 (Summer 2002), 319-339



### III. Homogeneous Goods Markets and Collusion

\* Tirole, Section 6.

E. Green and R. Porter, "Non-cooperative Collusion Under Imperfect Price Information," *Econometrica*, 52 (January 1984), pp. 87-100.

J. Rotemberg and G. Saloner, "A Supergame-Theoretic Model of Price Wars During Booms," *American Economic Review*, 76 (June 1986), 390-407.

\* R. Porter, "A Study of Cartel Stability: The Joint Economic Committee, 1880-1886," *Bell Journal of Economics*, 14 (Autumn 1983), pp. 301-314.

\* G. Ellison, "Theories of Cartel Stability and the Joint Executive Committee," *Rand Journal of Economics*, 25 (Spring 1994), pp. 37-57.

D. Genesove and W. Mullin, "Testing Static Oligopoly Models: Conduct and Cost in the Sugar Industry, 1890-1914," *Rand Journal of Economics*, 29 (Summer 1998), 355-377.

D. Genesove and W. Mullin, "Rules, Communication, and Collusion: Narrative Evidence from the Sugar Institute Case," *American Economic Review*, 91 (June 2001), pp. 379-398.

\* C. Wolfram, "Measuring Duopoly Power in the British Electricity Spot Market," *American Economic Review*, 89 (September 1999), 805-826.

\* M. Noel, "Edgeworth Price Cycles, Cost-based Pricing and Sticky Pricing in Retail Gasoline Markets," UCSD mimeo 2002.

\* M. Noel, "Price Cycles in Retail Gasoline Markets: A Microstudy of Firm Behavior," UCSD mimeo 2002.

### IV. Differentiated Goods Oligopolies

\* Tirole, Chapter 2.

R. Coterill, "Market Power in the Retail Food Industry: Evidence from Vermont," *Review of Economics and Statistics*, 68 (August 1986), 379-386.

\* T. Bresnahan, "Competition and Collusion in the American Automobile Industry: The 1955 Price War," *Journal of Industrial Economics*, 35 (June 1987), 457-482.

R. Palmquist, "Estimating Demand for the Characteristics of Housing," *Review of Economics and Statistics*, 66 (August 1994), pp. 394-404.

\* P. Goldberg, "Product Differentiation and Oligopoly in International Markets: The Case of the U.S. Automobile Industry," *Econometrica*, 63 (July 1995), pp. 891-952.

\* S. Berry, "Estimating Discrete-Choice Models of Product Differentiation," *Rand Journal of Economics*, 25 (2) (Summer 1994), pp. 242-262.

\* S. Berry, J. Levinsohn, and A. Pakes, "Automobile Prices in Market Equilibrium," *Econometrica*, 63 (July 1995), pp. 841-890.

A. Nevo, "A Practitioner's Guide to Estimation of Random Coefficients Logit Models of Demand," *Journal of Economics and Management Strategy*, 9 (4) (Winter 2000) pp. 513-548.

\* S. Ellison, I. Cockburn, Z. Griliches and J. Hausman, "Characteristics of Demand for Pharmaceutical



Products- An Exploration of Four Cephalosporins," *Rand Journal of Economics*, 28 (Autumn 1997), pp. 426-446.

\* A. Nevo, "Measuring Market Power in the Ready-to-Eat Cereal Industry," *Econometrica*, 69 (2001), 307-342.

## V. Entry and Strategic Investments

\* Tirole, Sections 7.1-7.2, 8.

R. Schmalensee, "Entry Deterrence in the Ready-to-Eat Breakfast Cereal Industry," *Bell Journal of Economics*, 9 (Autumn 1978), pp. 305-327.

P. Aghion and P. Bolton, "Entry Prevention Through Contracts with Customers," *American Economic Review*, 77, (June 1987), pp. 388-401.

R. Smiley, "Empirical Evidence on Strategic Entry Deterrence," *International Journal of Industrial Organization*, 6 (June 1988), pp. 167-180.

\* T. Bresnahan and P. Reiss, "Entry and Competition in Concentrated Markets," *Journal of Political Economy*, 99 (October 1991), pp. 977-1009.

\* J. Chevalier, "Capital Structure and Product Market Competition: Empirical Evidence from the Supermarket Industry," *American Economic Review*, 85 (3) (June 1995), pp. 415-435.

Kadiyali, V., "Entry, its Deterrence, and its Accommodation: A Study of the U.S. Photographic Film Industry," *The Rand Journal of Economics*, 27 (Autumn 1996), pp. 452-478.

S. Berry and J. Waldfogel, "Free Entry and Social Inefficiency in Radio Broadcasting," *Rand Journal of Economics*, 30 (Autumn 1999), pp. 397-420.

\* G. Ellison and S. Ellison, "Strategic Entry Deterrence and the Behavior of Pharmaceutical Incumbents Prior to Patent Expiration," mimeo 2000.

\* K. Seim, "Spatial Differentiation and Firm Entry: The Video Retail Industry," mimeo, 2001.

## VI. Asymmetric Information

\* Tirole, Sections 9.0-9.7.

D. Stahl, "Oligopolistic Pricing with Heterogeneous Consumer Search," *International Journal of Industrial Organization*, 14 (April 1996), pp. 243-268.

\* A. Sorensen, "Equilibrium Price Dispersion in Retail Markets for Prescription Drugs," *Journal of Political Economy*, 108 (August 2000), pp. 833-850.

\* A. Sorensen, "Price Dispersion and Heterogeneous Consumer Search for Retail Prescription Drugs," *NBER working paper 8548*, 2001.

\* G. Ellison and S.F. Ellison, "Search, Obfuscation, and Price Elasticities on the Internet," mimeo 2002.

D. Genesove, "Adverse Selection in the Wholesale Used Car Market," *Journal of Political Economy*, 101 (August 1993), pp. 644-665.

\* T. Hubbard, "An Empirical Examination of Moral Hazard in the Vehicle Inspection Market," *The Rand Journal of Economics*, 29 (Summer 1998), pp. 406-426.



\* R. Porter and P. Sattler, "Information Sharing and Competition in the Motor Vehicle Industry," *NBER working paper 7149*, 1999.

D. Akerberg, D. "Empirically Distinguishing Informative and Prestige Effects of Advertising," *RAND Journal of Economics*, Vol. 32, No. 2, Summer 2001. pp100-118.

D. Akerberg, "Advertising, Learning, and Consumer Choice in Experience Good Markets: An Empirical Examination", UCLA mimeo, 2001.

M. Baye and J. Morgan, "Information Gatekeepers on the Internet and the Competitiveness of Homogeneous Product Markets," *American Economic Review*, 91 (3) (June 2001), pp. 454-474.

#### XIV. Networks, Technology Diffusion, and Innovation

J. Farrell and G. Saloner, "Standardization, Compatibility, and Innovation," *Rand Journal of Economics*, 16 (1985), pp. 70-83.

M. Katz and C. Shapiro, "Technology Adoption in the Presence of Network Externalities," *Journal of Political Economy*, 94 (1986), pp. 822-841.

N. Gandal, M. Kende, and R. Rob, "The Dynamics of Technological Adoption in Hardware/Software Systems: The Case of Compact Disc Players," *Rand Journal of Economics*, 31 (1) (Spring 2000), pp. 43-61.

G. Ellison and D. Fudenberg, "Rules of Thumb for Social Learning," *Journal of Political Economy*, 101 (1993), pp. 612-643.

\* G. Saloner and A. Shepard, "Adoption of Technologies with Network Effects: An Empirical Examination of the Adoption of Automated Teller Machines," *Rand Journal of Economics*, 13 (Autumn 1995), pp. 479-501.

G. Ellison and D. Fudenberg, "The Neo-Luddite's Lament: Excessive Upgrades in the Software Industry," *Rand Journal of Economics*, 31 (Summer 2000), pp. 253-272.

D. Fudenberg and J. Tirole, "Pricing Under the Threat of Entry by the Sole Supplier of a Network Good," *Journal of Industrial Economics*, 48 (2000), pp. 373-390.

\* T. Bresnahan "Economics of the Microsoft Case," mimeo 2001.

M. Trajtenberg, "The Welfare Analysis of Product Innovations, with an Application to Computed Tomography Scanners," *Journal of Political Economy*, 97(2), (Apr. 1989) pp. 444-479.

\* A. Petrin, "Quantifying the Benefits of New Products- The Case of the Minivan," *NBER working paper 8227*, 2001.

A. Goolsbee and A. Petrin, "The Consumer Gains from Direct Broadcast Satellites and the Competition with Cable Television," *NBER working paper 8317*, 2001.