

**ECO260 GRADUATE INDUSTRIAL ORGANIZATION
UNIVERSITY OF CALIFORNIA AT SAN DIEGO
WINTER TERM 2009
SYLLABUS**

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The course provides a graduate level introduction to Industrial Organization. It is the first of two courses in the IO sequence, each of which can be taken independently. This course deals primarily with price discrimination, monopoly power, entry, information and estimation techniques; the second course continues with mergers, vertical relationships, networks, and regulation. Each assumes 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). For additional background, Schmalensee, R. and R. Willig, *Handbook of Industrial Organization*, Amsterdam: North Holland, 1989 is also helpful (and is in the econ library). The Tirole text provides an overview of most of the theoretical topics, while the journal articles below are primarily of an empirical nature. The primary focus of the course is on empirical techniques common in the literature. Follow the links; there is no course reader. The starred readings are required. Some readings may be added or deleted depending on time considerations. Report any broken links. They change time to time as websites reorganize. You need to be logged in to a UCSD IP address to access most the links.

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I. Introduction

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II. Monopoly Pricing & Price Discrimination

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J. Barron, B. Taylor, and J. Umbeck. "New Evidence on Price Discrimination and Retail Configuration," *Applied Economic Letters* 8(2) (February 2001), pp. 135-39.

S. Borenstein. "Selling Costs and Switching Costs: Explaining Retail Gasoline Markets," *RAND Journal of Economics* 22 (1991), pp.354-360.

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B. McManus "Nonlinear Pricing in an Oligopoly Market: the Case of Specialty Coffee." Washington University Olin School of Business, mimeo 2001.

* M. Busse and M. Rysman. "Competition and Price Discrimination in Yellow Pages Advertising," *RAND Journal of Economics* 36:2 (Summer 2005), pp. 378-390.

G. Ellison. "A Model of Add-On Pricing." *Quarterly Journal of Economics* 120:2 (May 2005), pp. 585-637.

* P. Leslie, "Price Discrimination in Broadway Theatre," *Rand Journal of Economics* 35(3), (2004), pp. 520-541.

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.

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

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E. Maskin and J. Tirole, "A Theory of Dynamic Oligopoly, I: A Theory of Dynamic Oligopoly, I: Overview and Quantity Competition with Large Fixed Costs", *Econometrica* 56(3), (May 1988), pp. 549-69.

* E. Maskin and J. Tirole, "A Theory of Dynamic Oligopoly, II: Price Competition, Kinked Demand Curves, and Edgeworth Cycles", *Econometrica* 56(3), (May 1988), pp. 571-99.

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IV. Differentiated Goods Oligopolies

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

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

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P. Bajari and L. Benkard. "Demand Estimation With Heterogeneous Consumers and Unobserved Product Characteristics: A Hedonic Approach." Stanford University. Mimeo 2002.

* A. Pakes and Paul McGuire. "Computing Markov-perfect Nash Equilibria: Numerical Implications of a Dynamic Differentiated Product Model," *Rand Journal of Economics* 25 (Winter 1994), 555-589.

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V. Entry and Strategic Investments

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VI. Asymmetric Information

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

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