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## **Syllabus – Graduate Industrial Organization (Econ 261)**

**Winter 2012**

### **Grading:**

Your grade is based on a final exam (60% of the grade), a referee report assignment (25% of the grade) and an in-class presentation (15% of the grade). The final will be a take-home exam.

### **Reading list:**

\* indicates required reading.

\*\* indicates required reading that is appropriate for student presentation.

## **I. MERGERS AND ANTITRUST**

### **A. Horizontal Mergers**

\* US Department of Justice, *Horizontal Merger Guidelines* (revised 1997)

<http://www.usdoj.gov/atr/public/guidelines/hmg.htm>

Willig, R.D. (1991), "Merger Analysis, Industrial Organization Theory, and Merger Guidelines", *Brookings Papers on Economic Activity: Microeconomics*, 281-332.

#### ***1. Horizontal Mergers with homogeneous goods***

\* Farrell, J. and C. Shapiro (1990), "Horizontal Mergers: An Equilibrium Analysis", *American Economic Review* 80(1), 107-126

\* Gowrisankaran, G. (1999), "A dynamic model of endogenous horizontal mergers", *Rand Journal of Economics* 30(1), 56-83.

\*\* Pesendorfer, M. (2003), "Horizontal Mergers in the Paper Industry", *Rand Journal of Economics* 34(3), 495-515.

Cabral, L.M.B. (2003), "Horizontal mergers with free-entry: why cost efficiencies may be a weak defense and asset sales a poor remedy", *International Journal of Industrial Organization* 21, 607-623.

Andrade, G., M. Mitchell, and E. Stafford (2001), "New Evidence and Perspectives on Mergers", *Journal of Economic Perspectives* 15 (2), 103-120.

Gugler, Klaus and Ralph Siebert (2007), "Market Power versus Efficiency Effects of Mergers and Research Joint Ventures: Evidence from the Semiconductor Industry", *Review of Economics and Statistics* 89(4), 645-659.

## **2. Differentiated Goods Mergers**

Hausman, J. and G. Leonard (1997), "Economic Analysis of Differentiated Product Mergers Using Real World Data", *George Mason Law Review*, 5(3), 321-344.

\* Hausman, J., G. Leonard, and J.D. Zona (1994), "Competitive Analysis with Differentiated Products", *Annales d'Economie et de Statistique* 34, 159-180.  
<http://www.adres.prd.fr/annales/anciensnumeros/resumes/n34/vol34-07.pdf>

\* Berry, S., J. Levinsohn and A. Pakes (1995), "Automobile Prices in Market Equilibrium", *Econometrica* 63(4), 841-890.

\* Nevo, A. (2000), "Mergers and Differentiated Products: The Case of the Ready-To-Eat Cereal Industry", *Rand Journal of Economics* 31(3), 395-421.

## **3. Event Studies**

MacKinlay, A.C. (1997), "Event Studies in Economics and Finance", *Journal of Economic Literature* 35(1), 13-39.

\* McAfee, R. and M. Williams (1988), "Can Event Studies Detect Anticompetitive Mergers?" *Economics Letters* 28(2), 199-203.

\*\* Mullin, G.L., J.C. Mullin and W.P. Mullin (1995), "The Competitive Effects of Mergers: Stock Market Evidence from the U.S. Steel Dissolution Suit", *Rand Journal of Economics* 26(2), 314-330.

## **B. Vertical Integration**

### **1. Vertical Restraints**

\* Tirole, Ch. 4

Salop, S. and D. Scheffman (1983), "Raising Rivals' Costs", *American Economic Review* 73(2), 267-271.

\* Ordover, J.A., G. Saloner, and S.C. Salop (1990), "Equilibrium Vertical Foreclosure", *American Economic Review* 80(1), 127-142.

\* Rey, P. and J. Tirole (2007), "A Primer on Foreclosure", in: M. Armstrong and R. Porter (eds.), *Handbook of Industrial Organization III*, Chapter 33, 2145-2220.

Whinston (1990), "Tying, foreclosure, and exclusion," *American Economic Review* 80(4), 837-859.

Rubinfeld, D.L. and H.J. Singer (2001), "Vertical Foreclosure in Broadband Access", *Journal of Industrial Economics* 49(3), 299-318.

Bernheim, B.D. and M. Winston (1998), "Exclusive Dealing", *Journal of Political Economy* 106(1), 64-103.

Gilbert, R. and J. Hastings (2005), "Pricing Vertical Integration in Gasoline Supply: An Empirical Test of Raising Rivals' Costs", *Journal of Industrial Economics* 53(4), 469-492.

\*\* Hastings, J. (2004), "Vertical Relationships and Competition in Retail Gasoline Markets: Empirical Evidence from Contract Changes in Southern California," *American Economic Review*, March 2004.

Mortimer, J.H. (2008), "Vertical Contracts in the Video Rental Industry", *Review of Economic Studies* 75, 165-199.

\*\* Villas-Boas, S.B. (2003), "Vertical Contracts between Manufacturers and Retailers: Inference With Limited Data", *Review of Economic Studies* 74, 625-652.

\*\* Chipty, T. (2001), "Vertical Integration, Market Foreclosure, and Consumer Welfare in the Cable Television Industry", *American Economic Review* 91(3), 428-453.

\*\* Hortacsu, A. and C. Syverson (2007), "Cementing Relationships: Vertical Integration, Foreclosure, Productivity, and Prices", *Journal of Political Economy* 115(2), 250-301.

## ***2. Incomplete Contracts and the Boundaries of the Firm***

\* Gibbons, Robert (2005), "Four Formal(izable) Theories of the Firm?" *Journal of Economic Behavior and Organization* 58, 200-245.

Holmström, B. and J. Roberts (1998), "The Boundaries of the Firm Revisited", *Journal of Economic Perspectives* 12(4), 73-94.

Whinston, Michael (2002), “On the Transaction-Cost Determinants of Vertical Integration”, *Journal of Law, Economics, and Organization* 19(1), 1-23.

\* Monteverde, Kirk, and David Teece. (1982), “Supplier Switching Costs and Vertical Integration in the Automobile Industry.” *Bell Journal of Economics* 13: 206-12.

Masten, S.E. (1984), “The Organization of Production: Evidence from the Aerospace Industry.” *Journal of Law and Economics*, 27, 403–417.

Masten, S.E. and Crocker, K.J. (1985), “Efficient Adaptation in Long-Term Contracts: Take-or-Pay Provisions for Natural Gas.” *American Economic Review*, 75, 1083–1093.

\* Joskow, Paul (1985) “Vertical Integration and Long-Term Contracts: The Case of Coal-Burning Electric Generation Plants.” *Journal of Law, Economics, and Organization* 1: 33-80.

\*\* Hubbard, Thomas (2001), “Contractual form and market thickness in trucking”, *Rand Journal of Economics* 32(2), 369-386.

Baker, George P. and Thomas N. Hubbard (2003), “Make versus Buy in Trucking: Asset Ownership, Job Design, and Information”, *American Economic Review* 93(3), 551-572.

Joskow, Paul (1987) “Contract Duration and Relationship-Specific Investment: Empirical Evidence from Coal Markets.” *American Economic Review* 77:168-85.

Levin, Jonathan and Steven Tadelis (2010), “Employment versus Contracting in Procurement: Theory and Evidence from U.S. Cities”, *Journal of Industrial Economics* 58(3), 507-541.

Akerberg, Daniel A. and Maristella Botticini (2002), “Endogenous Matching and the Empirical Determinants of Contract Form”, *Journal of Political Economy*, 110(3), 564-591.

\* Forbes, Silke J. and Mara Lederman (2009), “Adaptation and Vertical Integration in the Airline Industry”, *American Economic Review* 99(5), 1831-1849.

\* Forbes, Silke J. and Mara Lederman (2010), “Does Vertical Integration Affect Firm Performance? Evidence from the Airline Industry”, *RAND Journal of Economics* 41(4), 765-790.

## **II. RESEARCH AND DEVELOPMENT, AND ADOPTION OF NEW TECHNOLOGIES**

### **A. Patents and R&D Incentives**

\* Tirole, Ch. 10

- \* Gilbert, R. and C. Shapiro (1990), "Optimal patent length and breadth," *Rand Journal of Economics* 21(1), 106-112.
  - \* Klemperer P. (1990), "How broad should the scope of patent protection be?," *Rand Journal of Economics* 21(1), 113-130.
  - \* Scotchmer, S. (1991), "Standing on the shoulders of giants: cumulative research and the patent law," *Journal of Economic Perspectives* 5(1), 29-41.
- Gilbert R., C. Shapiro, L. Kaplow, and R. Gertner (1997), "Antitrust issues in the licensing of intellectual property," *Brookings Papers (Microeconomics)*, 283-349.
- \*\* Lanjouw, Jean O. and Mark Schankerman (2001), "Characteristics of Patent Litigation: A Window on Competition", *Rand Journal of Economics* 32(1), 129-151.
  - \*\* Sakakibara, M. and L. Branstetter (2001), "Do Stronger Patents Induce More Innovation? Evidence from the 1988 Japanese Patent Law Reforms", *Rand Journal of Economics* 32(1), 77-100.
- Pakes, A. (1986), "Patents as Options: Some Estimates of the Value of Holding European Patent Stocks," *Econometrica*, 54(4), 755-784.

## **B. Network Effects and Technology Adoption**

- \* Katz, M. and C. Shapiro (1985), "Network externalities, competition, and compatibility," *American Economic Review* 75(3), 424-440.
  - \* Katz, M. and C. Shapiro (1986), "Technology adoption in the presence of network externalities," *Journal of Political Economy* 94(4), 822-841.
  - \*\* Farrell, J. and G. Saloner (1985), "Standardization, Compatibility, and Innovation", *Rand Journal of Economics* 16(1), 70-83.
  - \*\* Saloner, G. and A. Shepard (1995), "Adoption of Technologies with Network Effects: An Empirical Examination of the Adoption of Automated Teller Machines", *Rand Journal of Economics*, 13(3), 479-501.
- Rochet, J.-C. and J. Tirole (2006), "Two-Sided Markets: A Progress Report", *RAND Journal of Economics* 37(3), 645-667.
- \*\* Rysman, M (2004), "Competition Between Networks: A Study of the Market for Yellow Pages", *Review of Economic Studies* 71, 483-512.

Nair, H., P.K. Chintagunta, and J.-P.H. Dube (2004), "Empirical Analysis of Indirect Network Effects in the Market for Personal Digital Assistants", *Quantitative Marketing and Economics* 2(1), 23-58.

\*\* Knittel, C. and V. Stango (2011), "Strategic Incompatibility in ATM Markets", *Journal of Banking and Finance* 35(10), 2627-2636.

Augereau, A., S. Greenstein, and M. Rysman (2006), "Coordination vs. Differentiation in a Standards War: 56k modems", *Rand Journal of Economics* 37, 887-909.