

Pontificia Universidad Católica del Perú

Empirical Industrial Organization

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Aims: The lecture aims to provide an understanding of the field of Industrial Organization through the links between theories and the empirical applications using real world data. This approach should allow the students to rationalize and test the behaviour of firms in imperfectly competitive markets.

Key readings: Readings will be taken from the journal articles in the syllabus. However, there are several textbooks that are great summaries for the lecture. These include

- **Tirole, The Theory of Industrial Organization, MIT Press, 1989**
- **R Schmalensee and R Willig (eds) Handbook of Industrial Organization, Volume 2, 1989.**
- **M Armstrong and R Porter (eds) Handbook of Industrial Organization, Volume 3, 2007.**

Pre-requisites: The module draws on the knowledge and understanding you have already gained from microeconomics and econometrics courses. Note that some of the journal papers listed will have aspects (e.g. empirical techniques) that go beyond the expected knowledge at this stage. Still, you should be able to understand the main findings.

Contenidos a Revisar:

Static Models of Imperfect Competition

*Tirole: chapter 5; Handbook (Vol II): chapter 16 by Schmalensee.

Bain, Joe S. (1951) Relation of Profit Rate to Industry Concentration: American Manufacturing, 1936-1940, The Quarterly Journal of Economics; Vol. 65, No. 3 (Aug., 1951), pp. 293-324

Dynamic Models of Imperfect Competition

Tirole: chapter 6; Handbook (Vol II): chapter 17 by Bresnahan.

Bernheim, B. Douglas and Michael D. Whinston (1990) Multimarket Contact and Collusive Behavior, The RAND Journal of Economics; Vol. 21, No. 1 (Spring, 1990), pp. 1-26

Corts, Kenneth S. (1999) Conduct parameters and the measurement of market power, Journal of Econometrics; Vol. 88, Issue 2, Feb. 1999, pp. 227-250

Green, Edward J. and Robert H. Porter (1984) Noncooperative Collusion under Imperfect Price Information, Econometrica; Vol. 52, No. 1 (Jan., 1984), pp. 87-100

Porter, Robert H. (1983) A Study of Cartel Stability: The Joint Executive Committee, 1880-1886, The Bell Journal of Economics; Vol 14, No. 2 (Autumn, 1983), pp. 301-314

Rotemberg, Julio J. and Garth Saloner (1986) A Supergame-Theoretic Model of Price Wars during Booms, The American Economic Review; Vol. 76, No. 3 (Jun., 1986), pp. 390-407

Models of Product Differentiation

*Tirole: chapter 7 and 2.

Bresnahan, Tim (1987) Competition and Collusion in the American Auto Industry: The 1955 Price War, Journal of Industrial Economics; Vol. 35, pp. 457-82

Berry, Steven (1994) Estimating Discrete Choice Models of Product Differentiation, RAND Journal of Economics; Vol. 25, pp. 242-262

Berry, Steven, J. Levinson and Ariel Pakes (1995) Automobile Prices in Market Equilibrium, Econometrica, Vol. 63, July, pp. 841-90

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

Modelling Entry and Concentration

*Tirole: chapter 8; Handbook (Vol III): chapter 29 by Berry and Reiss.

Baumol, William, John C. Panzar, Robert D. Willig (1983) Contestable Markets: An Uprising in the Theory of Industry Structure: Reply, The American Economic Review; Vol. 73, No. 3 (Jun. 1983), pp. 491-496

Berry, Steven (1992) Estimation of a Model of Entry in the Airline Industry, Econometrica; Vol. 60, July, pp. 889-917

Berry, Steven and Joel Waldfogel (1999) Free Entry and Social Inefficiency in Radio Broadcasting, The RAND Journal of Economics; Vol. 30, No. 3 (Autumn, 1999), pp. 397-420

Bresnahan, Tim and Peter Reiss (1991) Entry and Competition in Concentrated Markets, Journal of Political Economy; Vol. 99, October, pp. 977-1009

Ryan, S (Forthcoming) The Costs of Environmental Regulation in a Concentrated Industry, Econometrica.

Salop, S. (1979) Monopolistic Competition with Outside Goods, Bell Journal of Economics; Vol. 10, No. 1 (Spring, 1979), pp. 141-156

Applications to Models of Horizontal Merger, Vertical Integration.

* Tirole: chapter 4; Handbook (Vol III): chapter 33 by Rey and Tirole.

Farrell, Joseph and Shapiro, Carl (1990) Horizontal Mergers: An Equilibrium Analysis, The American Economic Review; Vol. 80, No. 1 (Mar., 1990), pp. 107-126

Hortaçsu, Ali and Chad Syverson (2007) Cementing Relationships: Vertical Integration, Foreclosure, Productivity, and Prices, Journal of Political Economy; Vol. 115(2), (April 2007), pp. 250-301

Nevo, Aviv (2000) Mergers with Differentiated Products: The Case of the Ready-To-Eat Cereal Industry, Rand Journal of Economics; Vol. 31 (Autumn), pp. 395-421

Extra Readings for Extra Hot Topics.

Economic Valuation of New Products:

Petrin, Amil (2002) Quantifying the effects of new products: the case of the minivan, Journal of Political Economy; Vol. 110, pp. 705-29.

Switching-Costs: Handbook (Vol III): chapter 31 by Farrell and Klemperer.

Advertising: Handbook (Vol III): chapter 28 by Bagwell.

Framework for Applied Dynamic Analysis in IO: Handbook (Vol III): chapter 30 by Doraszelski and Pakes.

Econometric Tools for Analyzing Market Outcomes: Handbook of ECONOMETRICS, (Vol 6A): chapter 63 by Akerberg, Benkard, Berry and Pakes; Recent Developments in Empirical Dynamic Models of Demand and Competition in Oligopoly Markets by Aguirregabiria and Nevo.