

Econ 45: Topics in Industrial Organization

Dartmouth College
Department of Economics
Spring 2014

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COURSE DESCRIPTION

This course examines selected topics in business strategy and public policies designed to facilitate competition. The class will read papers on regulation, static oligopoly competition, price discrimination, price dispersion, dynamic competition, entry deterrence, and vertical integration. In addition to discussing of these papers, students will write an empirical paper on industrial organization.

PREREQUISITES: ECON 20, ECON 21, AND ECON 25

CLASS HOURS:

11 (MWF	11:15-12:20	X-PERIOD: TU 12:00-12:50)
12 (MWF	12:30-1:35	X-PERIOD: TU 1:00-1:50)

READINGS

Readings come from academic journals. Links to the electronic versions of the readings are available from the syllabus located on the [Blackboard website](#).

REQUIREMENTS

Students are required to do all the readings for each class, to attend class, and to participate in class discussions.

Depending on class size, each student will be assigned two or three papers for which he or she will lead the class discussion. This will count for 25% of the grade.

When students are not leading the class discussion, they should prepare a thought-provoking question to be discussed during class. Class discussion of papers, as well as classmates' projects, count for 25% of the grade.

The major requirement for the course is a research paper. The paper is to be no more than 15 double-spaced pages of 12-point font text. This does not include references, tables, and figures. The paper can address any issue in industrial economics, but students are highly encouraged to draw from issues covered in the seminar. Topics from Econ 75 will also be considered. Over the course of the term, students will choose a topic, compile a reading list, write a literature review, gather data, analyze data, write a rough draft, present the work, and submit a final draft. To facilitate completing the final project, there

will be several intermediate steps that are due as noted on the class schedule. I will provide detailed descriptions of what is expected. The research paper (and intermediate steps) will count for 50% of the grade.

Disabilities: Students with learning, physical, or psychiatric disabilities enrolled in this course that may need disability-related classroom accommodations are encouraged to make an office appointment to see me before the end of the second week of the term. All discussions will remain confidential, although the Student Disability Services office may be consulted to discuss appropriate implementation of any accommodation requested.

USEFUL RESOURCES:

1. DATA SOURCES

Recent empirical papers published in the [American Economic Review](#) require all data be made available, along with programming code. Some researchers also make data available on web sites. For some industries, government data may be available. Finally, John Cocklin, the economics librarian at Dartmouth, has compiled a [website](#) with links to several economics datasets and economics journals.

2. STATA SOFTWARE

Location: Silsby 26 (6-3947 or Social.Science.Computing@Dartmouth.edu)

Social Science Computing (SSC) provides help installing STATA and can answer basic questions about STATA. SSC staff can also download data for students if the specific data set(s) is identified by the student. An appointment must be scheduled. If the student needs assistance with finding data, they will be referred to the library. Further information about SSC and lab hours is available [here](#).

Information about how to install STATA and help using STATA is available [here](#).

DATES OF DELIVERABLES:

April 9:	One-paragraph description of proposed project
April 28, 30, & May 2:	Proposals presentations
May 16:	Draft of paper
May 23, 26, & 28:	Final presentations
June 2:	Final paper due

Class Schedule

- March 24: Introduction: How to Write a Research Paper
- March 25*: Introduction to Empirical IO (skim three review articles: [Einav & Levin](#); [Nevo & Whinston](#); [Angrist & Pischke](#))
- March 26: Regulation ([Keohane et al.](#))
- March 28: no class (Nuclear Power Conference on campus)
- March 31: Stata primer I
- April 1*: Stata primer II
- April 2: Regulation ([Forbes et al.](#))
- April 4: no class
- April 7: Static Oligopoly Competition ([Wolfram](#))
- April 8*: Static Oligopoly Competition ([Borenstein](#))
- April 9: Incidence ([Busse et al.](#))
One-paragraph description of proposed project
- April 11: No Class
- April 14: Price Discrimination ([Shepard](#))
- April 16: Price Discrimination ([Nevo & Wolfram](#))
- April 18: Price Dispersion ([Sorensen](#))
- April 21: Price Dispersion ([Brown & Goolsbee](#))
- April 23: Loss-Leader Competition ([Chevalier et al.](#))
- April 25: Advertising & Reputation ([Jin & Leslie](#))
- April 28: **Students' Presentations of Proposals**
(Literature Review, Methods, & Planned Data Sources)
- April 30: **Students' Presentations of Proposals**
- May 2: **Students' Presentations of Proposals**
- May 5: Advertising & Reputation ([Ackerberg](#))

- May 7: Network Effects ([Ohashi](#))
- May 9: Entry Deterrence ([Goolsbee & Syverson](#))
- May 12: Vertical Relationships ([Chevalier & Scott Morton](#))
- May 14: Vertical Relationships ([Hastings](#))
- May 16: No class (Green Key)
Email draft of paper
- May 19: Dynamic Competition & Collusion ([Porter](#))
- May 20*: Mergers ([Nevo](#))
- May 21: **Students' Presentations of Final Projects**
- May 23: **Students' Presentations of Final Projects**
- May 26: No class (Memorial Day)
- May 28: **Students' Presentations of Final Projects**
- June 2: **Final paper due.**

Reading List

Introduction

- Einav, Liran and Jonathan Levin. 2010. "Empirical Industrial Organization: A Progress Report," *Journal of Economic Perspectives*.
- Nevo, Aviv and Michael Whinston. 2010. "Taking the Dogma out of Econometrics: Structural Modeling and Credible Inference," *Journal of Economic Perspectives*.
- Angrist, Joshua and Jorn-Steffen Pischke. 2010. "The Credibility Revolution in Empirical Economics: How Better Research Design is Taking the Con out of Econometrics," *Journal of Economic Perspectives*. (just skim)

Regulation

- Keohane, Nat, Erin Mansur, and Andrey Voynov. 2009. "Averting Regulatory Enforcement: Evidence from New Source Review," *Journal of Economics and Management Strategy*.
- Forbes, Silke, Mara Lederman, and Trevor Tombe. 2011. "Do Firms Game Quality Ratings? Evidence from Mandatory Disclosure of Airline On-Time Performance," working paper.

Static Oligopoly Competition and Market Power

- Wolfram, Catherine. 1999. "Measuring Duopoly Power in the British Electricity Spot Market," *American Economic Review*.
- Borenstein, Severin. 1989. "Hubs and High Fares: Dominance and Market Power in the U.S. Airline Industry," *Rand Journal of Economics*.

Incidence

- Busse, Meghan, Jorge Silva-Risso, and Florian Zettelmeyer. 2006. "\$1000 Cash Back: The Pass-Through of Auto Manufacturers Promotions," *American Economic Review*.

Price Discrimination

- Shepard, Andrea. 1991. "Price Discrimination and Retail Configuration," *Journal of Political Economy*.
- Nevo, Aviv and Catherine Wolfram. 2002. "Why Do Manufacturers Issue Coupons? An Empirical Analysis of Breakfast Cereals," *RAND Journal of Economics*.

Price Dispersion

- Sorensen, Alan. 2000. "Equilibrium Price Dispersion in Retail Markets for Prescription Drugs," *Journal of Political Economy*.
- Brown, Jeffrey and Austan Goolsbee. 2002. "Does the Internet Make Markets More Competitive? Evidence from the Life Insurance Industry," *Journal of Political Economy*.

Loss-Leader Competition

- Chevalier, Judy, Anil Kashyap, and Peter Rossi. 2003. "Why Don't Prices Rise During Periods of Peak Demand? Evidence from Scanner Data," *American Economic Review*.

Advertising and Reputation

- Jin, Ginger and Phillip Leslie. 2003. "The Effect of Information on Product Quality: Evidence from Restaurant Hygiene Grade," *Quarterly Journal of Economics*.
- Akerberg, Daniel. 2001. "Empirically Distinguishing Informative and Prestige Effects of Advertising," *Rand Journal of Economics*.

Network Effects

- Ohashi, Hiroshi. 2003. "The Role of Network Effects in the US VCR Market, 1978-1986," *Journal of Economics and Management Strategy*.

Entry Deterrence

- Goolsbee, Austan and Chad Syverson. 2008. "How Do Incumbents Respond to the Threat of Entry? Evidence from the Major Airlines," *Quarterly Journal of Economics*.

Vertical Relationships

- Chevalier, Judy and Fiona Scott Morton. 2008. "State Casket Sales Restrictions: a Pointless Undertaking?" *Journal of Law and Economics*.
- Hastings, Justine. 2004. "Vertical Relationships and Competition in Retail Gasoline Markets: Empirical Evidence from Contract Changes in Southern California," *American Economic Review*.

Mergers

- Nevo, Aviv. 2000. "Mergers with Differentiated Products: The Case of the Ready-to-Eat Cereal Industry," *Rand Journal of Economics*.

Dynamic Competition and Collusion

- Porter, Robert. 1983. "A Study of Cartel Stability: The Joint Executive Committee, 1880-1886," *The Bell Journal of Economics*.