Overview and Objectives. Michi Igami and I are teaching the fall term of the IO sequence. Steve Berry and Katja Seim will teach the second term. I will focus on demand, supply, and competition in differentiated products markets. Relative to later parts of the course we will spend a bit more time on tools, although we will cover a number of applications, including several on horizontal and vertical merger analysis.

My primary goals: introduce you to some of the key questions and technical challenges that arise in using data to understand the functioning of markets; get you comfortable with some fundamental tools of empirical IO; discuss some prominent applications of those tools to questions about the functioning of markets and competition policy; and introduce topics of frontier research in this area.

Course Requirements. For my part of the course, students are expected to (1) read the papers assigned for each class meeting; (2) prepare a 1-page summary of an assigned paper for each class meeting; and (3) participate in the class discussions of papers, and (4) do one major homework assignment. Grades will be based on the quality of the required work for the course. Late assignments generally will not be given credit. However, I will drop the lowest grade on the one-page summaries from my portion of each student’s evaluation.

Summaries. The one-page summaries must be written independently and are due at the beginning of each class meeting. You should describe the objectives, contributions, and key ideas of the paper. Typically this should be done with words and complete sentences (not an outline or list of bullet points). Sometimes a key equation may be necessary to convey an essential idea, but resist the temptation to substitute notation and equations for insights and ideas. Good summaries will usually make clear that you read the whole paper, not just the authors’ summary in the introduction! These summaries should not be critiques or “responses,” although sometimes describing what is vs. is not addressed in the paper is a good way to make its contributions clear. Do not write more than one page.
Preliminary Schedule of Topics and Papers
* indicates the papers on which you should prepare the one-page summary
changes may be announced in class

Intro to IO and Differentiated Products Markets

The BLP Model and Estimation, Quantifying the Sources of Market Power

Horizontal Mergers.
Sep 12. *Fan (2013)

Micro Data, Panel Data, New Goods
Sep 17. *Petrin (2001)

Nonparametric Foundations and Extensions

Consideration Sets, Inertia, Advertising, and Search
Oct 3. NO MEETING

Vertical Relations, Bargaining, and Vertical Mergers
READING LIST

Despite being long, this list is not complete nor even my selection of the best papers on the topics we will cover. However it should be sufficient to get you going if topics we cover interest you enough for further exploration.

Basic IO Theory

Tirole, J. (1988). *The Theory of Industrial Organization*, MIT Press. This text is now outdated and only slightly more advanced than of what I teach Yale undergrads. On the other hand, it covers core models every IO economist should be familiar with. Graduate students rarely arrive with knowledge of this material. If you want to be an IO economist (or any kind of economist studying ...irms), you should buy the book and work through it.

Handbook Chapters in Empirical IO

There are several handbook chapters on modern IO. Together these provide excellent resources on methods, as well as an overview of applications in some areas.


Differentiated Products Supply, Demand, and Mergers


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