

Reading List

Texts

Tirole, Jean, *The Theory of Industrial Organization*, MIT Press, 1988.

Vives, Xavier, *Oligopoly Pricing*, MIT Press, 1999.

Also Recommended:

Handbook of Industrial Organization, Volumes I and II, North-Holland.

I. Introduction

Bresnahan, T.F. "Empirical Studies with Market Power," Handbook of Industrial Organization, vol. II, chap. 17.

Schmalensee, R., "Inter-Industry Studies of Structure and Performance," Handbook of Industrial Organization, Vol. II, chap 16.

II. Pricing

A. Introduction to Pricing in Monopoly and Oligopoly

Tirole Chapters 1 and 5.

Vives Chapters 1-5.

Baye, M. and J. Morgan, "Revisiting Bertrand's Paradox: Paradox Lost or Paradox Found?" Mimeo, Princeton University, 1996. <http://www.princeton.edu/~rjmorgan/paradox.pdf>

Kreps, D. and J. Scheinkman, "Quantity Precommitment and Bertrand Competition Yield Cournot Outcomes," *Bell Journal of Economics*, 14 (Autumn 1983), 326-337.

Shapiro, C., "Theories of Oligopoly Behavior," in *Handbook of Industrial Organization*, Vol I, Chapter 6.

B. Price Dispersion, Search, and Switching Costs

B.1 Theory

Klemperer, P., "The Competitiveness of Markets with Switching Costs," *RAND Journal of Economics*, 18 (1), Spring 1987, 137-50.

Klemperer, P., "Markets with Consumer Switching Costs," *Quarterly Journal of Economics*, 102 (2), May 1987, 375-94.

Klemperer, P., "Competition When Consumers Have Switching Costs: An Overview with Applications to Industrial Organization, Macroeconomics, and International Trade," *Review of Economic Studies* 62 (4), October 1995, 515-39.

Stahl, D., "Oligopolistic Pricing with Heterogeneous Consumer Search," *International Journal of Industrial Organization*, 14 (April 1996), 243-268.

Varian, H., "A Model of Sales," *American Economic Review* 70 (4), September 1980, 651-59.

B.2 Empirical Evidence

Baye, M. and J. Morgan, "Information Gatekeepers on the Internet and the Competitiveness of Homogeneous Product Markets," Mimeo, Princeton University, 2001.

<http://www.princeton.edu/~rjmorgan/gatekeepers.pdf>

Brynjolfsson, E. and M. Smith, "The Great Equalizer? Consumer Choice Behavior at Internet Shopbots," Mimeo, MIT. <http://ebusiness.mit.edu/erik/TGE%202000-08-12.pdf>

Carlton, D. and J. Chevalier, "Free Riding and Sales Strategy for the Internet," Mimeo, Chicago GSB. <http://www.nber.org/~confer/2001/ecomm01/carlton.pdf>

Ellison, G. and S. Ellison, "Search, Obfuscation, and Price Elasticities on the Internet," Mimeo, MIT, January 2001. <http://econ-www.mit.edu/faculty/gellison/files/search.pdf>

Genesove, D., "Search at Wholesale Auto Auctions," *Quarterly Journal of Economics* 110 (1), February 1995, 23-49.

Scott Morton, F. and F. Zettelmeyer, "Internet Auto Retailing," NBER Working Paper #7961.

Sorenson, A., "Equilibrium Price Dispersion in Retail Markets for Prescription Drugs," *Journal of Political Economy*, 108 (4), August 2000.

Sorenson, A., "Price Dispersion and Heterogeneous Consumer Search for Retail Prescription Drugs," Mimeo, UCSD, 2001. <http://www.econ.ucsd.edu/~asorense/>

C. Price Discrimination

C.1 Theory

Monopoly

McAfee, P. and R. Deneckre, "Damaged Goods," *Journal of Economics and Management Strategy*, 5 (2), Summer 1996, 149-74.

Tirole, Chapter 3.

McAfee, P., J. McMillan, and M. Whinston, "Multiproduct Monopoly, Commodity Bundling, and Correlation of Values," *Quarterly Journal of Economics*, 104 (May 1989), pp. 371-83.

Oi, W., "A Disneyland Dilemma: Two-Part Tariffs for a Mickey-Mouse Monopoly," *Quarterly Journal of Economics*, 85 (February 1971), pp. 77-96.

Varian, H., "Price Discrimination and Social Welfare," *American Economic Review*, 75 (September 1985), pp. 870-5.

Oligopoly

Nalebuff, B., "Bundling," Mimeo, Yale University School of Management, 1999.

Nalebuff, B., "Competing Against Bundles," Mimeo, Yale School of Management, 1999.

Rochet, J. and L. Stole, "Nonlinear Pricing with Random Participation Constraints," Mimeo, University of Chicago Graduate School of Business, 1999.

Stole, L., "Nonlinear Pricing and Oligopoly," *Journal of Economics and Management Strategy*, 4 (4), 529-562.

C.2 Empirics

Borenstein, S. and N. Rose, "Competition and Price Dispersion in the U.S. Airline Industry," *Journal of Political Economy*, 102 (August 1994), 653-683.

Busse, M. and M. Rysman, "Competition and Price Discrimination in Yellow Pages Advertising," Working Paper, Yale School of Management, 2001.

Crawford, G., "The Discriminatory Incentives to Bundle," Mimeo, Duke University, 2001.
<http://ftp.econ.duke.edu/pub/gsc/bundling.pdf>

Leslie, P., "Price Discrimination in Broadway Theatre," Mimeo, UCLA, 1999.

McManus, B., "Nonlinear Pricing in Specialty Coffee," Mimeo, University of Virginia, 2000.
<http://www.people.virginia.edu/~bpm5c/>

Miravete, Eugenio, "Choosing the Wrong Calling Plan? Ignorance, Learning, and Risk Aversion," CEPR Discussion Paper No. 2562, 2000.
<http://www.ssc.upenn.edu/~miravete/Papers/CEPR2562.pdf>

Miravete, Eugenio, "Estimating Demand for Local Telephone Service with Asymmetric Information and Optional Calling Plans," Mimeo, University of Pennsylvania, 2001.
<http://www.ssc.upenn.edu/~miravete/Papers/penn01c.pdf>

Shepard, A., "Price Discrimination and Retail Configuration," *Journal of Political Economy*, 99 (February 1991), pp. 30-53.

D. Differentiated Products

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Bresnahan, T.F. "Empirical Studies with Market Power," *Handbook of Industrial Organization*, vol. II, chap. 17.

Bresnahan, T.F. "The Oligopoly Solution Concept is Identified," *Economics Letters*, vol. 10, pp. 87-92, 1982.

Schmalensee, R., "Inter-Industry Studies of Structure and Performance," *Handbook of Industrial Organization*, Vol. II, chap 16.

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Nevo, A. "Measuring Market Power in the Ready-to-Eat Cereal Industry," *Econometrica*.

Hausman, Jerry, Gregory, Leonard and J. Douglas Zona. "Competitive Analysis with Differentiated Products." *Annales d'Economie et de Statistique* (34) 159-80, 1987.

Goldberg, Penny K. "Product Differentiation and Oligopoly in International Markets: The Case of the U.S. Automobile Industry," *Econometrica* (63) 891-952, 1995.

Hendricks, Pinske and Slade,

Davis, P. Spatial Competition in Retail Markets: Movie Theatres. MIT Sloan Working Paper.

Davis, P. Simple Demand Models for Market Level Data. MIT Sloan Working Paper.

Bajari and Benkard. Demand Estimation with Heterogenous Consumers and Unobserved Product Characteristics: A Hedonic Approach. Stanford University Working Paper.

III. Entry and Market Structure

A. Sunk Costs and Market Structure

Sutton, J. *Sunk Costs and Market Structure*, MIT Press, 1991, Chapters 1-2.

Tirole, 8.1-8.2.

Bresnahan, T., "Sutton's Sunk Costs and Market Structure: Price Competition, Advertising, and the Evolution of Concentration: Review Article," *RAND Journal of Economics* 23 (1), Spring 1992, 137-52.

Ellickson, P., "Supermarkets as a Natural Oligopoly," Mimeo, University of Rochester, 2001.

B. Entry

Anderson, S., A. de Palma, and Y. Nesterov, "Oligopolistic Competition and the Optimal Provision of Products," *Econometrica*, Vol. 63, No. 6, November 1995, pp. 1281-1302.

Baumol, W.K., J.C. Panzar, and R.D. Willig, "On the Theory of Perfectly Contestable Markets," in J.E. Stiglitz and G.F. Mathewson, eds., *New Developments in the Analysis of Market Structure*, MIT Press, 1986.

Berry, S., "Estimation of a Model of Entry in the Airline Industry," *Econometrica*, 60 (July 1992), 889-918.

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Dunne, T. M. Roberts, and L. Samuelson, "Patterns of Firm Entry and Exit in U.S. Manufacturing," *Rand Journal of Economics*, 19 (Winter 1988), 495-515.

Mankiw, N.G. and M.D. Whinston, "Free Entry and Social Inefficiency," *RAND Journal of Economics*, 17 (Spring 1986), pp. 48-58.

IV. Strategic Choices and Market Dynamics

A. Strategies to Soften Competition and Deter Entry

A.1 Theory

Tirole, pp. 207-8, 8.3-8.4.

Aghion, P. and P. Bolton, "Entry Prevention Through Contracts with Customers," *American Economic Review*, 77, June 1987, pp. 388-401.

Bulow, J., J. Geanakoplos and P. Klemperer, "Multimarket Oligopoly: Strategic Substitutes and Complements," *Journal of Political Economy*, 93 (June 1985), 488- 511.

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Hurdle, G., et al., "Concentration, Potential Entry, and Performance in the Airline Industry," *Journal of Industrial Economics*, 38 (December 1989), 119-140.

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Laffont, J.-J., P. Rey and J. Tirole, "Network Competition I: Overview and Nondiscriminatory Pricing," *Rand Journal of Economics*, 29 (Spring 1998), 1-37.

Schmalensee, R. "Entry Deterrence in the Ready-to-Eat Breakfast Cereal Industry," *Bell Journal of Economics*, 9 (Autumn 1978), pp. 305-27.

Schmalensee, R. "Economies of Scale and Barriers to Entry," *Journal of Political Economy*, 89 (December 1981), pp. 1228-38.

Scott Morton, F. "Price Dispersion and the Effects of the Medicaid MFC Clause of 1990," *Journal of Economics and Management Strategy*, 6:1, 1997.

A.2 Empirics

Chevalier, J., "Capital Structure and Product Market Competition: Empirical Evidence from the Supermarket Industry," *American Economic Review*, June 1995.

Lieberman, M., "Post Entry Investment and Market Structure in the Chemical Processing Industry," *Rand Journal of Economics*, 18 (Winter 1987), 533-549.

Smiley, R. "Empirical Evidence on Strategic Entry Deterrence," *International Journal of Industrial Organization*, 6 (June 1988), 167-180.

B. Introduction to Dynamics

Athey, S. and A. Schmutzler, "Investment and Market Dominance," *RAND Journal of Economics*, April 2001.

Pakes, A. and P. McGuire, "Empirical Implications of Alternative Models of Firm Dynamics", *Journal of Economic Theory*, 62 (1), January 1995: 53-82.

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C. Empirical Methods and Evidence

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Bajari, P. Benkard, C.L. and Levin, J.D. Estimating Dynamic Games of Incomplete Information. Working Paper, Stanford University.

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- Gowrisankaran, G. "Dynamic Equilibrium in the Hospital Industry," Mimeo, University of Minnesota.
- Hopenhayn, Hugo, "Entry, Exit and Firm dynamics in Long-run Equilibrium," *Econometrica* (60), 1127-50.
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V. Games of Incomplete Information

A. Auctions

A.1 Theory

- McAfee, P. and J. McMillan, "Auctions and Bidding," *Journal of Economic Literature*, June 1987, pp. 699-738.
- Milgrom, P., "Auctions and Bidding: A Primer," *Journal of Economic Perspectives*, Summer 1989, pp 3-22.
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A.2 Empirical Methods and Evidence

- Athey, S. and J. Levin, "Information and Competition in U.S. Forest Service Timber Auctions," *Journal of Political Economy*, 109 (2), April 2001: 375-417.
- Athey, S. and P. Haile, "Identification in Standard Auction Models," Mimeo, Stanford, 2001. <http://www.stanford.edu/~athey/>
- Bajari, P. and L. Ye, "Competition Versus Collusion in Procurement Auctions: Identification and Testing," Mimeo, Stanford, 2001.
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- Bajari, P. and A. Hortacsu, "Winner's Curse, Reserve Prices, and Endogenous Entry: Empirical Insights from Ebay Auctions," Mimeo, Stanford University, 2001.
- Guerre, E., I. Perrigne, and Q. Vuong, "Optimal Nonparametric Estimation of First-Price Auctions," *Econometrica* 68 (3), May 2000, 525-74.
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- Hendricks, K. and R. Porter, "An Empirical Study of an Auction with Asymmetric Information," *American Economic Review*, December 1988, pp. 865-83.
- Kagel, J., R. Harstad and D. Levin, "Information Impact and Allocation Rules in Auctions with Affiliated Private Values: A Laboratory Study," *Econometrica*, 55 (1987), pp. 1275-1304.
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B. Insurance/Adverse Selection/Empirical Analysis of Contract Theory

- Chiappori, P.-A. and B. Salanie, "Testing for Asymmetric Information in Insurance Markets," *Journal of Political Economy* 108 (1), February 2000, 56-78.
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VI. Collusion

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B. Empirical Evidence

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