

Graduate IO - Spring 2005 Extra reading
EMPIRICAL METHODS IN INDUSTRIAL ORGANIZATION
ECO 2901H,S - Industrial Organization & Public Organization II

I will update this reading list as we go along. These papers are not required reading for the class, but give more background literature if you are interested in a topic.

1 Production

- [1] Uses another first order condition to invert: material input demand
- [2] Argues that OP and LP depend crucially on tenacious timing assumptions
- [3] Uses yet another f.o.c.: the number of workers to use on each shift
- [4] Illustrates the danger of using deflated sales if firms have price-setting power.
- [5] Identifies the production function using demand side instruments in a geographically differentiated industry

2 Demand

- [6] Generalizes Berry's (1994) random utility framework to also discuss nested logit, etc. Also discussed well in Green's *Econometric Analysis*, in chapter 21 of the 5th edition.

3 Entry

- [7] more descriptive paper
- [8] more theoretical paper
- [9] Bound's approach (earlier 1991 book is also relevant)
- [10] Chapter 8 in Tirole (1989) gives an overview of the game-theoretic treatment
- [11] Reduced form approach to estimate the effect of hubs

4 Market power

- [12] A classic
- [13] Identifies the conduct parameter with an instrument that rotates demand elasticity.
- [14] Identifies the conduct parameter from two pricing regimes in the aggregate data.

5 Price discrimination

References

- [1] James Levinsohn and Amil Petrin. Estimating production functions using inputs to control for unobservables. *Review of Economic Studies*, 70(2):317–342, April 2003.
- [2] Daniel A. Akerberg and Kevin Caves. Structural identification of production functions. *Working paper, University of Arizona*, July 2003.
- [3] Johannes Van Biesebroeck. Productivity dynamics with technology choice: An application to automobile assembly. *Review of Economic Studies*, 70(1):167–198, January 2003.
- [4] T. Jakob Klette and Zvi Griliches. The inconsistency of common scale estimators when output prices are unobserved and endogenous. *Journal of Applied Econometrics*, 11(4):343–361, 1996.
- [5] Chad W. Syverson. Market structure and productivity: A concrete example. *Working Paper, University of Chicago*, November 2003.
- [6] N. Scott Cardell. Variance components structures for the extreme-value and logistic distributions with application to models of heterogeneity. *Econometric Theory*, 13(2):185–213, April 1997.
- [7] Timothy F. Bresnahan and Peter C. Reiss. Do entry conditions vary across markets? *Brookings Papers on Economic Activity*, (3):833–82, 1988.
- [8] Timothy F. Bresnahan and Peter C. Reiss. Entry in monopoly markets. *Review of Economic Studies*, 57(4):531–53, October 1990.
- [9] John Sutton. *Technology and Market Structure: Theory and History*. M.I.T. Press, Cambridge, 1998.
- [10] Jean Tirole. *The Theory of Industrial Organization*. M.I.T. Press, Cambridge, 1989.
- [11] Severin Borenstein. Hubs and high fares: Dominance and market power in the u.s. airline industry. *RAND Journal of Economics*, 20(3):344–652, Autumn 1989.
- [12] Timothy F. Bresnahan. Empirical studies of industries with market power. In Richard Schmalensee and Robert D. Willig, editors, *Handbook of Industrial Organization*, volume 2, pages 1011–57. North-Holland, New York, 1989.
- [13] Timothy F. Bresnahan. The oligopoly solution concept is identified. *Economics Letters*, 10:87–92, 1982.
- [14] Robert H. Porter. A study of cartel stability: The joint executive committee, 1880-1886. *Bell Journal of Economics*, 14(2):301–14, Autumn 1983.