ECON 601b Graduate Industrial Organization II
Tues, Thur 1pm–2:20pm, via Zoom Spring 2021

Contact Information

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Course Description

This course is a continuation of Econ 600a, which is a prerequisite. In this term, we transition from the study of “classes of models” about markets in equilibrium to the actual study of individual markets and of specific economic policies that are applied to individual markets.

We view this course as a bridge toward doing independent empirical research. Our goals are to provide you with an overview of recent work on questions ranging from the evaluation of market power, antitrust, and collusion, entry and product positioning, search and platform markets to highlight the application of theory and econometrics to substantive questions in industrial organization and antitrust policy. This will prepare you for research not only in industrial organization but also in related fields where the tools of industrial organization have proved fruitful, including Labor, Health, Trade, and Public economics.

Class Meetings

We will meet via zoom. The meeting links and passwords are on the Canvas web page for the course. We strongly prefer that you have your camera on during the meeting; feel free to speak up as we go along should you have questions.

Requirements

There are two main requirements for the class. First, we would like the lectures to have active discussion, and we rely on your participation in assessing the recent working papers and published research that we discuss in class. We have chosen one paper for each lecture (denoted with an asterisk in the list of readings for each class below; readings will be updated throughout the term as necessary) and ask you to prepare a short reaction to the paper before the class meeting (see below).

Second, we would like you to get practice at developing a research project and ask you to prepare a proposal for a potential research project that builds on the substantive questions and techniques we discussed in class and present your idea during one of the final class meetings.

In summary, the requirements of the course are:
1. Readings: we expect you to have read the papers assigned for each class meeting. You will not get much out of the class without familiarity with the assigned articles.

2. Paper reactions: prior to each class, submit via Canvas a short (max one page) assessment of the chosen paper. This should include two to three bullets on the key ideas, the strengths, and the contributions the paper makes, together with one to two bullet points on weaknesses, interesting extensions, or possible next steps.

3. Research proposal and referee report. See detailed description below, together with a set of guidelines for helping you prepare a referee report at the end of the syllabus.

We will assign grades based on the quality of the work for the course. We will not give credit for late assignments, but we will allow you to skip two paper evaluations during the semester.

The preliminary course schedule and reading list follow on the next pages.
### Schedule

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*note different time: 6pm-7:20pm*
Reading List

1. 2/2/2021. Introduction; Conduct & collusion I

2. 2/4/2021. Conduct & collusion II: Auction markets

3. 2/9/2021. Entry and product positioning I: Optimal product variety
   • Berry, Steven and Joel Waldfogel “Free Entry and Social Inefficiency in Radio Broadcasting,” RAND, 1999.

Methods

4. 2/11/2021. Entry and product positioning II: Product variety & policy

Methods

5. 2/16/2021. Retail I: networks
   • Houde, Jean-Francois, Newberry, Peter, and Seim, Katja. “Economies of density in e-commerce:

6. 2/18/2021. Retail II: pricing and price discrimination


8. 2/25/2021. Health care II: insurer demand and hospital network choice

   • Lee, Robin. “Vertical Integration and Exclusivity in Platform and Two-Sided Markets” AER, 2013

   Methods


11. 3/11/2021 – Environmental and Energy I: Regulation of Motor Vehicle and Electricity Markets
12. 3/16/2021 – Environmental and Energy II: Dynamics of Environmental Regulation and Investment

13. 3/18/2021 – Search and Learning I: Recent Applications of Consumer Search and Learning Models


15. 3/25/2021 – Mechanism Design I: School Choice

16. 3/30/2021 – Mechanism Design II: Organ and Housing Allocation
Kidneys.” Econometrica.


17. 4/1/2021 – Antitrust


18. 4/13/2021 – Markups


19. 4/6 –Common Ownership [Guest Lecturer: Mike Sinkinson]


20. 4/15 – Monopsony

Research Proposal & Presentation

An important component of the class is the development of a proposal for a potential research project that builds on the substantive questions and techniques we discussed in class. During the final class meetings, students will present these research proposals in class. Written research proposals should be relatively short (6-8 pages in length) but of high quality. Please include four main sections:

1. Research Question: Define the research question and explain why it is important.

2. Data: Describe the data you will use. You can describe a hypothetical “dream” dataset, but even better would be to describe an actual dataset or data structure that you have some chance of obtaining.

3. Model: Sketch a simple model that informs your approach. This could be a purely theoretical model, perhaps simplified to an example, that informs your question and motivates reduced form analysis. Alternatively, this could be a simplified version of a model that might be estimated with data that can help illustrate the role of key parameters.

4. Methods: Describe the methods you will use to answer the research question using the data and discuss how key parameters of interest can be identified.

Research proposal presentations should convey the same information; please budget approximately 30 minutes of presentation and 15 minutes of class discussion/suggestions.

To help you place your question in the literature, we ask that you prepare a referee report on a recent, related working paper (paper choice subject to our approval). Please prepare a three- to four-page long referee report on the paper, and a cover letter with your recommendation to the editor. At the end of this handout, we have included a set of guidelines to help you prepare your report. Please let us know if you would like us to recommend a paper.

You may not submit the same research proposal being used for another class in the spring semester. You may submit a research proposal for an ongoing project previously submitted for a class proposal in the prior semester if you demonstrate a semester's worth of progress. (Please submit last semester’s submission for comparison.)

Timeline and deliverables

- March 5: Topic proposal due. Please submit a brief description (at most one page) of your idea for our approval; note that we are looking for an IO topic, broadly. Also include a paper related to your proposed idea for which you wish to prepare a referee report.
- April 22-May 6: Proposal presentations (date assignment TBD).
- May 19: Final research proposal and referee report due. Please submit your write-up together with your presentation materials.
**Guidelines for Referee Reports**  
(Adapted from Lanjouw, Sadoulet, deJanvry, ARE 251)

The purpose of a referee report is to recommend to an editor whether a paper is suitable for publication or not, potentially after revision. Hence, whether the paper is good or not, and you think it deserves publication or not, your job is to document for the editor reasons for accepting, rejecting, or requesting revisions. Usually, the referee includes a good summary of the paper, the development of 3 or 4 main points (positive or negative), and potentially 4 or 5 smaller points that request clarification or addition.

First, you should read the paper carefully, checking all the arguments, whether mathematical or not, for correctness. Point out any problems that you find, and feel free to comment more generally on the paper. You should not be mean, but you should be critical; pointing out errors and suggesting improvements is your job. At the same time, you can’t ask an author to write a paper that is different from what he intended to write, and hence there is no point in suggesting extensions that go beyond strictly improving the paper in its own purpose. Make sure to cast a balance between being too lenient and asking the author to write a different paper altogether. Your report will be evaluated on its thoughtfulness, clarity, and helpfulness.

1. **Summary**

   Write a short summary of the paper using your own words. What is the question asked by the author? What is the modeling strategy? What data is used? How is the hypothesis formulated and tested? What are the results? The purpose of this section is to summarize for the editor the paper in a way that let him understand the essence of the paper and its contribution, without having to read it.

2. **Major issues**

   You then take 3 or 4 major positive or negative points that you have on the paper, one at a time. To do this, check the question carefully, the theory/model, the link to the empirical analysis, the presentation of the data, the econometric analysis, and the results. Below is a checklist of the kinds of questions you should ask yourself to help you raise these points. For a positive point, you want to argue why the question is particularly important, or the approach particularly novel, or the techniques new, or the identification strategy innovative, the data very unusual, etc.

   For a negative point, you are often looking for lack of correspondence between the idea and the model, the model and the empiricism, the empirical strategy, and the conclusion.

   Another argument for rejecting a paper is when the paper has nothing wrong but is boring and not new in any way. If this is one of your points, then you need to refer to other works to show why this is all well-known and has already been done.

3. **Other issues**

   Usually, if you have some major criticisms about a paper, that lead you to recommend rejection, you do not even need to do a section on less important issues. However, hopefully the papers that you will be reading this time are not so bad, and you may have some less important though useful suggestions to improve the paper.
Checklist:

• **The Question.**
  - Is the topic clearly explained? Could the question be made more precise?
  - Does the author do a good job of motivating the question in the introduction?
  - Is the answer to the question obvious in advance?
  - Is the question original? What is the contribution of the paper? Does the author pose a question of reasonable scope (i.e., can she reasonably hope to answer the question in a short empirical paper)?

• **The Model.** The model need not be a formal structural model of optimizing behavior, but if it is a reduced form model, there should at least be a clear verbal description of the economic theory that is behind its specification.
  - Does the model formalize the argument given by the author in the question?
  - Does the model incorporate those aspects of reality that the author seems to think are important?
  - Is it possible to answer the question posed by the author within the context of the model?
  - Is the model elegant? Is it simple? If it is not simple, is it unnecessarily complex? Could the author attack the problem with a simpler model?
  - Is the notation clean and intuitive?
  - Is the model internally consistent?

• **Link to Empirical Analysis.**
  - Is the estimating equation clearly related to (or preferably derived from) the model?
  - Does the disturbance term have an interpretation within the model, or is it just tacked on?

• **The Data.**
  - Does the author present a clear description of the data?
  - Does the author’s choice of a dataset seem well suited to answering the question he poses?
  - If you had to replicate the author’s study five years from now, is there sufficient information in the paper about the source of the data and sample used in estimation that you could do it?
  - Does the author discuss issues that may affect her estimation strategy: Is the data from a random sample? What are known sources of measurement error? If a panel, is there reason to believe that there may be cross-sectional dependence?
  - Does the author present summary statistics, and make good use of them to motivate the question or some specific aspects of her analysis

• **The Econometric Analysis.**
  - Are the econometric techniques well suited to the problem at hand?
- What are the properties of the estimators employed by the author? Are the issues regarding these properties adequately addressed in the paper?
- Is the econometric analysis carefully done and reported?
- Have alternative specifications been tried and compared, when necessary?
- Is the issue of robustness of the results addressed?
- What test statistics does the author employ? Do they answer the question?

• **Results and Conclusion**
  - Are the results clearly stated and presented?
  - Are they used in some interesting way (beyond quoting the value of the parameters and their standard errors)?
  - Are the results related back to the question?
  - Are appropriate caveats mentioned?
  - Do the conclusions concisely summarize the main points of the paper?
  - Are the conclusions reached by the author well supported by the evidence?
  - Are you convinced? What did you learn from this paper?