

Econ 8747: Industrial Organization Theory

Fall 2022

Professor Yongmin Chen
Office: Econ 108
Class Time: TTH: 2:00-3:15 PM
Office Hours: Wednesday: 11:15-3:15 PM.

Recommended books: (1) *The Theory of Industrial Organization* by Jean Tirole (1988), MIT Press, (2) *Industrial Organization: Contemporary Theory and Practice* by Pepall, Richards, and Norman, and (3) *Handbook of Industrial Organization, Vol. 3 (HIO 3, 2007, Mark Armstrong and Robert Porter edits)*. ~~HIO at MIT de Avila page 3 (3rd info) The book is at the Acknowledgements (Table of Contents) double spaced.~~

A tentative course schedule is as follows. There can be changes to this schedule during the semester, which will be announced in class. You are responsible for updating course information according to announcements made in class. The starred articles are required readings. You should also read additional assigned articles (at least briefly), especially on topics that you would like to explore more. You will be asked to write short reviews/discussions of some papers (each

review/discussion is about 2 pages long, double spaced; but occasionally you may do a longer review). When you review a paper, you may provide a summary, discuss the research question(s),

- *Ellison, Glenn, “A Model of Add on Pricing” QJE, 2005
- *Ellison, Glenn, “Bounded Rationality in Industrial Organization”, 2006, MIT.
- Shota Ichihashi, “Online Privacy and Information Disclosure by Consumers”, AER, 2020.
- Justin P Johnson, David P Myatt, “On the simple economics of advertising, marketing, and product design”, AER, 2006.
- Maskin, E., and J. Riley, “Monopoly with Incomplete Information”, RAND, 1984.
- *Chen, Y. and M. Riordan, “Profitability of Product Bundling”, IER, 2013.
- Chen, Y. and M. Schwartz, “Differential Pricing when Costs Differ: A Welfare Analysis”, RAND, 2015.
- *Monika Mrázová and J. Peter Neary, “Not So Demanding: Demand Structure and Firm Behavior” Myriam Schwartz. -0 0 12 1002 TwadÄ-&nK3,pDÅq@-&À36ZÄ: @É04 108 5 Tw Td(E)Tj0.61

- Carl Shapiro (2021), “Vertical Mergers and Input Foreclosure Lessons from the *AT&T/Time Warner Case*”, *Review of Industrial Organization*.
- **“Horizontal Merger Guidelines”*, FTC and DOJ, 2010.
<https://www.justice.gov/sites/default/files/atr/legacy/2010/08/19/hmg-2010.pdf>

Assignment 6 (due 10/11): Reviews: Salop and Scheffman (1983); Moresi and Salop (2021).

Student Presentation 2 (10/11): “Horizontal Merger Guidelines” by FTC and DOJ, 2010; Moresi and Salop (2021).

5. Dynamic Competition

10/13, 10/18, 10/20, 10/25

- Strategic Behavior: Ideas and Applications
- Dynamic Price Competition
- Repeated Interactions and Collusion

- *Fudenberg, D and J. Tirole, “Consumer Poaching and Brand Switching,” RAND (2001), 634-657

Assignment 7 (due 10/20): Exercise 6.1-6.10 in Tirole.

Assignment 8 (due 10/27): Reviews: Taylor (2003), and Bernheim and Madsen (2017).

Student Presentation 3 (10/27): Taylor (2003); Bernheim and Madsen (2017)

Planning for Term Paper

6. Privacy, Data, and Information Security

10/28, 11/1, 11/3

Readings:

- *Acemoglu, D., Makhdoumi, A., Malekian, A.&Ozdoglar, A. (2019), ‘Too much data: Prices and inefficiencies in data markets’, NBER Working Paper No. 26296.
- Daron Acemoglu, Azarakhsh Malekian, Asu Ozdoglar, “Network security and contagion”, JET, 2016.
- *Bergemann, D., Bonatti, A. & Gan, T. (2019), ‘The economics of social data’, Cowles Foundation Discussion Paper.
- Shota Ichihashi, “Online Privacy and Information Disclosure by Consumers”, AER, 2020.
- Richard Posner, “The Economics of Privacy”, AER, 1981.
- Alessandro Acquisti, Curt Taylor and Liad Wagman, “The Economics of Privacy,” Journal of Economic Literature, June 2016.
- *Curt Taylor, “Consumer Privacy and the Market for Customer Information”, RAND, 2004.
- Athey, S. and J. Gans (2010). The impact of targeting advertising technology on advertising markets and media competition. AER, 100 (2), 608–613.
- Anderson, R. and T. Moore (2006). The economics of information security. Science 314 (5799), 610–613.
- Goldfarb, A. and C. Tucker (2011). Privacy regulation and online advertising. Management Science 57 (1), 57–71.
- Haan, M. A. and Moraga-González, J. L. (2011). "Advertising for Attention in a Consumer Search Model." Economic Journal, Vol. 121, pp. 552--579.

- Sanjeev Goyal and Adrien Vigier, “Attack, Defence, and Contagion in Networks”, REStud., 2014.
- Chen, Y. “Marketing Innovation”, JEMS, 2006.
- Chen, Y., X. Hua, and K. Maskus, “International Protection of Consumer Data”. Journal of International Economics, 2021.

Assignment 9 (due 11/1): Reviews: Bergemann et al. (2019); Taylor (2004); Ichihashi (2020).

Student Presentations 4 (11/4): Two of the three papers abo

- Justin Johnson, “The Agency Model and MFN”, Review of Economic Studies, 2017
- Hagiu, A., and B. Jullien, "Search Diversion and Platform Competition," IJIO, 2014.
- Armstrong, M, Vickers, J, and Zhou, J., “Prominence and Consumer Search”, RAND, 2009.

Assignment 10 (due 11/10): Reviews: de Cornière and Taylor (2013); Johnson (2017); Rhodes et al. (2021).

Presentations 5 (11/10): two of the three papers above.

Working on the Term Paper

8. Innovation and Intellectual Property Rights

11/15, 11/27, 11/29, 12/1, 12/6

A. Overview

- Basic Questions for the Economic Analysis of Innovation
- Some Statistics about Innovation Inputs and Outputs
- Analytical Framework

B. Market Structure and Innovation Incentive

- The Schumpeterian View (1942)
- Arrow’s Analysis (1962): Process Innovation
- Preempting Monopoly: Gilbert and Newbery (1982)
- Product Innovation: When is Arrow’s Ranking Reversed?
- Vertical Organization and Innovation Incentive
- Exclusive Contracts and Innovation

C. Intellectual Property Rights (IPRs) and Innovation

- The Fundamental Trade-off: Static v

- Antitrust and Innovation
- Patent Damages/Remedies
- IPRs and Continual Innovation
- IPRs and Innovation in Developing Countries

Readings:

- U.S. National Science Board. "[Science and Engineering Indicators 2014](http://www.nsf.gov/statistics/seind14/)".
http://www.nsf.gov/statistics/seind14/
- Arrow, K. (1962). "Economic Welfare and the Allocation of Resources for Innovations," R. Nelson ed. The Rate and Direction of Inventive Activity, Princeton University Press.
- Chen, Y and T. Puttitanun (2005). "Intellectual Property Rights and Innovation in Developing Countries", Journal of Development Economics, 78: 474-493.
- *Gilbert, R. and Newbery, D. (1982). "Preemptive Patenting and the Persistence of Monopoly," American Economic Review, 72: 514-526.
- Chen, Y and M. Schwartz (2013). "Product Innovation Incentives: Monopoly vs. Competition", Journal of Economics and Management Strategy.
- Chen, Y and D. Sappington (2010). "Innovation in Vertically Related Markets", Journal of Industrial Economics.
- Chen, Y and D. Sappington (2011). "Exclusive Contracts, Innovation, and Welfare", American Economic Journals: Microeconomics.
- Ch4ov

- Scotchmer, Suzanne. 2004. *Innovation and Incentives*. Cambridge: MIT Press.
- *Segal, I. and M. Whinston. (2007) “Antitrust in Innovative Industries”. American Economic Review.
- Shapiro, C. (2016). "Patent Remedies," American Economic Review, 106: 198-202.
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University Policies

Classroom Behavior

environment. Information on requesting accommodations is located on the [Disability Services website](#). Contact Disability Services at 303-492-8671 or dsinfo@colorado.edu for further assistance. If you have a temporary medical condition, see [Temporary Medical Conditions](#) on the Disability Services website.

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