

Graduate Program in Economics - Syllabus

[cmcd.economia@fgv.br]

Course: Industrial Organization I

Professor: Prof. Klenio Barbosa

2017 FIRST TRIMESTER

PROGRAM

This course aims to present the basic principles and advanced models in Industrial Organization. The course is divided in 2 parts. The first part presents the foundations and the basic models in Industrial Organization. In this part, we develop the modern theory of monopoly (single and multiproduct firm), static pricing and price discrimination, quality choice, reputation, and vertical integration. After that, we present models with strategic interaction between firms, starting with the classical models of Bertrand and Cournot. In addition, we present the classical models with capacity constraint, dynamic models and repeated competition, product differentiation and tacit collusion. To conclude this part, we present models on long-term competition, including barriers to entry and contestability. The second part presents the latest developments in structural econometrics of auction data. This part will begin with a review of Auction Theory. Next, the structural methods of auction estimation (English Auction, Vickrey Auction, Dutch Auction and First Price Sealed Envelope Auction) will be presented. To conclude, we will study the latest developments and applications of structural auction econometrics

BIBLIOGRAPHY

Part 1: Foundations and Basic Models

- Tirole, J. 1986, The Theory of Industrial Organization, MIT Press, Chapter 1, 2, 3, 4, 5, 6 and 7

Parte 2: Auctions and Procurements: Economic Theory and Estimation Methods

Basics:

- Krishna, V., 2009, Auction Theory, Second Edition 2nd Edition, Capítulos 1, 2, 6, 8 e 11
- Paarsch, H., and Hong, H., 2006. An Introduction to the Structural Econometrics of Auction Data, First Edition, Capítulo 1, 2, 3 e 4

Complementar:

- Hickman, Brent R., Timothy P. Hubbard, and Yiğit Sağlam, 2012, Structural Econometric Methods in Auctions: A Guide to the Literature, Journal of Econometric Methods, 1(1), 67–106.
- Hendricks, K e Robert Porter, 2007, Capítulo 32 An Empirical Perspective on Auctions Handbook of Industrial Organization, Volume 3.
- Susan Athey and Philip A. Haile. Nonparametric approaches to auctions. Chapter 60 of the Handbook of Econometrics, volume 6a, edited by James J. Heckman and Edward E. Leamer, pages 3847–3965.

Papers:

- Krasnokutskaya, E. e Seim, K. 2011, Bid Preference Programs and Participation in Highway Procurement Auctions, The American Economic Review
- Li, Tong, e Zheng, X., 2009, Entry and Competition Effects in First-Price Auctions: Theory and Evidence from Procurement Auctions, Review of Economic Studies, 76, 1397-1429,
- Krasnokutskaya, E., 2011, Identification and Estimation in Procurement Auctions under Unobserved Auction Heterogeneity, Review of Economic Studies, 28 (2011);

- Athey, S, Coey, D. e Levin, J., 2013, Set-Asides and Subsidies in Auctions, American Economic Journal: Microeconomics 2013, 5(1): 1–27

GRADING

Final exam: 70%

Problem Sets: 30%

PROFESSOR - EMAILS

Klenio Barbosa

Office: 1217, 12 Floor email: klenio.barbosa@fgv.br

DETAILED PROGRAM

Part 1: Exercise of Monopoly Power

References:

- Tirole, J. 1986, The Theory of Industrial Organization, MIT Press, Chapter 1, 2, 3 and 4.

Part 2: Strategic Interaction

References:

- Tirole, J. 1986, The Theory of Industrial Organization, MIT Press, Chapters 5 and 7.

Parte 3: Auction Theory

References:

- Paarsch, H., and Hong, H., 2006. An Introduction to the Structural Econometrics of Auction Data, First Edition, Chapters 1 and 2.
- Krishna, V., 2009, Auction Theory, Second Edition 2nd Edition, Chapters 1, 2, 6, 8 and 11

Part 4: Structural Econometrics of Auction Data

References:

- Paarsch, H., and Hong, H., 2006. An Introduction to the Structural Econometrics of Auction Data, First Edition, Chapters 3 e 4

Part 5: Recent Advances and Applications of the Structural Econometrics of Auction Data

References:

- Paarsch, H., and Hong, H., 2006. An Introduction to the Structural Econometrics of Auction Data, First Edition, Chapters 1 and 2.
- Krishna, V., 2009, Auction Theory, Second Edition 2nd Edition, Chapters 1, 2, 6, 8 and 11.
- Paarsch, H., and Hong, H., 2006. An Introduction to the Structural Econometrics of Auction Data, First Edition, Chapter 3
- Hendricks, K e Robert Porter, 2007, Chapter 32, An Empirical Perspective on Auctions Handbook of Industrial Organization, Volume 3.
- Paarsch, H., and Hong, H., 2006. An Introduction to the Structural Econometrics of Auction Data, First Edition, Chapter 4

- Hendricks, K e Robert Porter, 2007, Chapter 32, An Empirical Perspective on Auctions Handbook of Industrial Organization, Volume 3.
- Guerre, E., Perrigne, I. and Vuong, Q. (2000), Optimal Nonparametric Estimation of First-price Auctions. *Econometrica*, 68: 525–574
- Krasnokutskaya, E., 2011, Identification and Estimation in Procurement Auctions under Unobserved Auction Heterogeneity, *Review of Economic Studies*, 28 (2011)
- Li, Tong, e Zheng, X., 2009, Entry and Competition Effects in First-Price Auctions: Theory and Evidence from Procurement Auctions, *Review of Economic Studies*, 76, 1397-1429
- Gentry, Matthew, e Li, T. (2014), Identification in Auctions with Selective Entry. *Econometrica*, 82: 315–344.
- Susan Athey and Philip A. Haile. Nonparametric approaches to auctions. Chapter 60 of the Handbook of Econometrics, volume 6a, edited by James J. Heckman and Edward E. Leamer, pages 3847–3965.
- Hendricks, K e Robert Porter, 2007, Chapter 32 An Empirical Perspective on Auctions Handbook of Industrial Organization, Volume 3.
- Philip A. Haile, Han Hong, and Matthew Shum. Nonparametric tests for common values at first-price sealed-bid auctions, Yale University, Department of Economics, typescript, 2006
- Hendricks, K e Robert Porter, 2007, Chapter 32 An Empirical Perspective on Auctions Handbook of Industrial Organization, Volume 3.
- Hendricks, K e Robert Porter, 2007, Chapter 32 An Empirical Perspective on Auctions Handbook of Industrial Organization, Volume 3.
- P. Bajari and L. Ye. Deciding between competition and collusion. *Review of Economics and Statistics*, 85(4):971–989, 2003.
- Asker, J., 2010, A Study of the Internal Organisation of a Bidding Cartel, *American Economic Review*, v100(3), 724-762.
- Conley, T. and Decarolis, F., 2015, Detecting Bidders Groups in Collusive Auctions", *American Economic Journal: Microeconomics*
- Justin Marion. Are bid preferences benign? The effect of Small Business subsidies in highway procurement auctions. *Journal of Public Economics*, 91:1591–1624, 2007.
- Justin Marion. How costly is Affirmative Action? Government contracting and California's Proposition. *Review of Economics and Statistics*, 91(3):503–522, 2009.
- Krasnokutskaya, E. e Seim, K. 2011, Bid Preference Programs and Participation in Highway Procurement Auctions, *The American Economic Review*
- Athey, S, Coey, D. e Levin, J., 2013, Set-Asides and Subsidies in Auctions, *American Economic Journal: Microeconomics* 2013, 5(1): 1–27