

José Ignacio Cuesta  
Liran Einav  
Paulo Somaini

[jicuesta@stanford.edu](mailto:jicuesta@stanford.edu)  
[leinav@stanford.edu](mailto:leinav@stanford.edu)  
[soma@stanford.edu](mailto:soma@stanford.edu)

Evan Flack (TA)

[flack@stanford.edu](mailto:flack@stanford.edu)

## Industrial Organization I: Syllabus

### Class Description

This course is the first of three courses in the Ph.D. sequence in Industrial Organization in the economics department (257, 258, and 260). The goal of the sequence, and especially the first two quarters, is to provide broad general training in the field, introducing you to the central questions around imperfect competition, market structure, innovation, and regulation, as well as the models and empirical methods commonly used to tackle these questions. The third quarter provides an opportunity for students to write a supervised research paper, and gain experience presenting their work.

Students in the Economics Ph.D. program who intend to take IO as a field must take 257 and 258, and students who further intend to write theses in IO are strongly recommended to continue through 260. All three classes are also open to students in other fields and Stanford departments, and traditionally many students in 257 fall into this category. All students taking 257, however, should have taken the first year graduate sequence in Economics, or have equivalent preparation in microeconomics and econometrics.

### Course Requirements

Historically, this class has required substantial time on problem sets focusing on empirical applications and econometrics. We will do our best to structure the problem sets so that you spend your time on the economics rather than on programming and debugging. That said, some programming cannot be avoided and is part of the learning experience; all students, regardless of their specific interest, are expected to complete all parts of the problem sets. The specific assignments are as follows.

- a) *Problem Sets.* There will be 4 problem sets. They will entail substantial empirical and computational exercises. Problem sets will be due on Thursdays – October 12, November 2; November 16, and December 7.
- b) *Class Preparation.* Before most classes, we will assign one or two papers, and students will be expected to familiarize themselves with this material. In addition, and this will be an important emphasis, we will assign specific tasks to students prior to each class. This would require more time and effort than in the past, and would facilitate (we hope) more interactive discussions in class. Students should plan (and budget accordingly) on spending 2-3 hours (not more) on class prep before each class.

Class grades will be based on problem sets (50%) and class preparation and participation (50%). Both are essential parts of the course and we expect students to take them seriously.

## Outline of Topics

We plan to divide the class roughly into four parts. Part 1 (taught by Liran and Paulo) will provide an introduction to the standard methods used to model and analyze consumer demand and imperfect competition. Part 2 (taught by Paulo) will cover some applications of imperfect competition modeling: the analysis of mergers, collusion, and auctions. Part 3 (taught by Ignacio) will cover the theory and empirics of market structure, imperfect information and search frictions. Part 4 (taught by Paulo) will discuss productivity and dynamic models in IO.

## Class Schedule

1. Wednesday, September 27 (Liran): Pricing and Market Power
2. Monday, October 2 (Liran): Pricing and Market Power
3. Wednesday, October 4 (Liran): Pricing and Market Power
4. Monday Wednesday, October 9 (Paulo): Demand Estimation
5. Wednesday, October 11 (Liran): Demand Estimation
6. Monday, October 16 (Liran): Demand Estimation
7. Wednesday, October 18 (Paulo): Mergers
8. Monday, October 23 (Paulo): Collusion and Price Fixing
9. Wednesday, October 25 (Paulo): Single Unit Auctions
10. Monday, October 30 (Paulo): Multi Unit Auctions
11. Wednesday, November 1 (Paulo): Empirical Mechanism Design
12. Monday, November 6 (Ignacio): Static Entry
13. Wednesday, November 8 (Ignacio): Repositioning
14. Monday, November 13 (Ignacio): Consumer Search and Imperfect Information
15. Wednesday, November 15 (Ignacio): Spatial Search Frictions
16. Monday, November 27 (Paulo): Production Function Estimation
17. Wednesday, November 29 (Paulo): Productivity and Competition
18. Monday, December 4 (Paulo): Productivity and Trade
19. Wednesday, December 6 (Paulo): Single Agent Dynamics