Instructor: Professor Michael D. Grubb
Office: 341 Maloney Hall
Office hours: By appointment. Sign up at https://goo.gl/yDlBci or e-mail me.
E-mail: michael.grubb@bc.edu

Course Requirements

1. Problem Sets (15%): Problem sets will be announced throughout the semester.

2. Class Discussion (20%): Please read assigned papers and participate in discussion.


4. Final Exam, Wednesday May 11 at 9:00 a.m. (30%)

Homework

1. PS 1 Due to my mailbox by Monday February 1st at 4:30pm.

2. Future problem sets to be announced.

Research Proposal & Presentation

During the final two weeks of classes, students will present research proposals in class. Research proposals will be due on the last day of class, May 5. Research proposals should be relatively short (about 6 pages in length) but of high quality. This should be very difficult to write. 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. Presentations should follow the advice for effective presentations on the Canvas course website.

Academic Integrity

It is my obligation to remind you that you are expected to uphold all Boston College standards of academic integrity, as described at [http://www.bc.edu/offices/stserv/academic/integrity.html](http://www.bc.edu/offices/stserv/academic/integrity.html).

Syllabus Notes

- This syllabus contains hyperlinks and hence is most useful in its electronic form.
- This is the first time I am teaching this course, and it is still under development, so please expect the syllabus to evolve over the semester.
- Readings, lecture notes, reading guides, and other materials are available on Canvas.
<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>Reading/Assignment</th>
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<tbody>
<tr>
<td>T Jan 19</td>
<td>Nonlinear Pricing</td>
<td>Tirole (1988, Sections 3.3, 3.5); Lecture Notes</td>
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<td>R Jan 21</td>
<td>Nonlinear Pricing</td>
<td>Crawford and Shum (2007)</td>
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<tr>
<td>T Jan 26</td>
<td>Price Discrimination &amp;</td>
<td>Lecture Notes; Dana (1999)</td>
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<td>R Jan 28</td>
<td>Demand Uncertainty</td>
<td>Leslie (2004); Tirole (1988, Chapter 3); Lecture Notes</td>
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<td>R Feb 4</td>
<td>Search</td>
<td>Allen, Clark, and Houde (2014) (tentative, mention De Los Santos, Hortaçsu, and Wildenbeest (2015))</td>
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<td>T Feb 9</td>
<td>Switching Costs &amp; Inertia</td>
<td>Farrell and Klemperer (2007); Klemperer (1995); Handel (2013)</td>
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<tr>
<td>R Feb 11</td>
<td>Searching &amp; Switching</td>
<td>Wilson (2012); Honka (2014)</td>
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<td>T Feb 16</td>
<td>Consumer Confusion &amp; Obfuscation</td>
<td>Chioveanu and Zhou (2013); Grubb (2015c)</td>
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<td>R Feb 18</td>
<td>Mexican SS</td>
<td>Duarte and Hastings (2012)</td>
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<td>T Feb 23</td>
<td>Adverse Selection</td>
<td>Rothschild and Stiglitz (1976); Lecture Notes</td>
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<td>R Mar 3</td>
<td>Boundedly Rational Managers</td>
<td>Goldfarb and Xiao (2011)</td>
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March 7-11 Spring Break
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<tr>
<td>T Mar 15</td>
<td>Present Bias</td>
<td>Lecture notes; DellaVigna and Malmendier (2004)</td>
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<td>R Mar 17</td>
<td>Present Bias</td>
<td>DellaVigna and Malmendier (2006); Oster and Scott Morton (2005)</td>
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<td>T Mar 22</td>
<td>Hidden Fees</td>
<td>Gabaix and Laibson (2006); Other TBD</td>
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<td>R Mar 24</td>
<td><strong>Easter break</strong></td>
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<td>T Mar 29</td>
<td>Dynamic Nonlinear Pricing</td>
<td>Lecture notes &amp; Grubb (2009); Grubb (2015b)</td>
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<td>T Apr 5</td>
<td>Pass-through Rate</td>
<td>Lecture Notes; Bulow and Pfleiderer (1983); E. Glen Weyl and Fabiner (2013); Sullivan (1985)</td>
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<td>R Apr 7</td>
<td>Consumer Protection</td>
<td>Grubb (2015d); Lecture Notes (use quantity pass-through)</td>
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<td>R Apr 14</td>
<td>Collusion</td>
<td>Tirole (1988 Chapter 6); Harrington and Skrzypacz (2011)</td>
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<td>T Apr 19</td>
<td>Collusion</td>
<td>Miller and Weinberg (2015)</td>
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<td>R Apr 21</td>
<td>Learning</td>
<td>Covert (2015)</td>
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<td>T Apr 26</td>
<td>Student Presentations</td>
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<td>R Apr 28</td>
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<td>T May 3</td>
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<td>R May 5</td>
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<td>Research Proposals Due</td>
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<tr>
<td>W May 11</td>
<td><strong>IO Final Exam</strong></td>
<td>Wednesday May 11 at 9:00am</td>
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Suggested Reading List by Topic; required readings are in bold

Required Reading


**Reference Books**


**Nonlinear Pricing**


Price Discrimination and Demand Uncertainty


Search


Zhou, Jidong (2015b). “Homepage”. See Jidong’s homepage for a variety of recent theory papers on search [https://sites.google.com/site/jidongzhou77/research](https://sites.google.com/site/jidongzhou77/research)

### Switching Costs and Inertia


Farrell, Joseph and Paul Klemperer (2007). “Coordination and Lock-in: Competition with Switching Costs and Network Effects”. In: *Handbook of Industrial Orga-


Consumer Confusion and Obfuscation


**Adverse Selection in Insurance Markets**


**Boundedly Rational Managers**


Goldfarb, Avi and Botao Yang (2009). “Are All Managers Created Equal?” *Journal of Marketing Research* 46.5, pp. 612–622. DOI: [10.1509/jmkr.46.5.612](https://doi.org/10.1509/jmkr.46.5.612)

**Hidden Fees**


**Present Biased Preferences**


**Dynamic Nonlinear Pricing**


Consumer Protection and the Pass-Through Rate


Trusted Choices


Collusion


Learning


Other Behavioral IO References


Bundling


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