EC 8854: Industrial Organization II
Spring 2016 Syllabus–Last updated March 20, 2017
Tuesday/Thursday 3-4:20pm, Maloney 330

Last Updated: March 20, 2017

Instructor: Professor Michael D. Grubb
Office: 341 Maloney Hall
Office hours: By appointment. Sign up at https://goo.gl/yD1Bci 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
You are encouraged to work together in groups, but each student must write up their own solutions independently.

1. PS 1 Nonlinear Pricing: Due to my mailbox by Monday January 30th at 4:30pm.

2. PS 2 Search: Cancelled.

3. PS 3 Switching Costs: Due in class, Tuesday February 28th.

4. PS 4 Insurance: Due to my mailbox by Monday March 13th at 4:30pm.

5. PS 5 Present Bias: Due to my mailbox by Monday March 22nd at 4:30pm.

6. PS 6 Hidden Fees: Due to my mailbox by Monday March 27th at 4:30pm.

7. PS 7 Consumer Protection & Pass-Through: Due to my mailbox by Monday April 17th at 4:30pm.
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.

- I am continuing to update this course, and it is still under development, so please expect the syllabus to evolve over the semester. In particular, readings on search, adverse selection, and insurance are likely to change.

- Readings, lecture notes, reading guides, and other materials are available on Canvas.
Seminar Attendance

- I expect you to attend the Applied Microeconomics Seminar 12:00-1:30pm on Tuesdays if it does not conflict with other classes.

- I expect you to attend all job talks given in the department that you are able to attend. These can give you an excellent sense of where you should be aiming to be in 3 years time.
<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>Reading/Assignment</th>
</tr>
</thead>
<tbody>
<tr>
<td>T Jan 17</td>
<td>Nonlinear Pricing</td>
<td>Tirole (1988 Sections 3.3, 3.5); Lecture Notes</td>
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<tr>
<td>R Jan 19*</td>
<td>Nonlinear Pricing</td>
<td>Crawford and Shum (2007) (Conflict = Job Talk 3:30-5)</td>
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<tr>
<td>T Jan 24*</td>
<td>Price Discrimination &amp;</td>
<td>Lecture Notes; Dana (1999)</td>
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<td></td>
<td>Demand Uncertainty</td>
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<tr>
<td>R Jan 26</td>
<td>Price Discrimination</td>
<td>Leslie (2004); Tirole (1988, Chapter 3); Lecture Notes</td>
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<tr>
<td>R Feb 2</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 7</td>
<td>IO Job Talk</td>
<td>J. Li (2017)</td>
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<td>R Feb 9</td>
<td>Snow Day</td>
<td></td>
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<tr>
<td>T Feb 14*</td>
<td>Switching Costs &amp; Inertia</td>
<td>Farrell and Klemperer (2007) (excluding Sections 1.2 and 3); Klemperer (1995) (Sections 1-4)</td>
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<td>R Feb 16</td>
<td>Searching &amp; Switching</td>
<td>Wilson (2012); Honka (2014)</td>
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<td>T Feb 21*</td>
<td>Consumer Confusion &amp; Obfuscation</td>
<td>Chioveanu and Zhou (2013); Grubb (2015c)</td>
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<tr>
<td>R Feb 23</td>
<td>Mexican SS</td>
<td>Duarte and Hastings (2012)</td>
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<tr>
<td>T Feb 28</td>
<td>Insurance</td>
<td>Cohen and Einav (2007)</td>
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<tr>
<td>R Mar 2</td>
<td>Insurance</td>
<td>Einav, Finkelstein, and Cullen (2010); (Ceccarini, Jezierski, and Krasnokutskaya (2015) was not yet available.)</td>
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March 6-10 Spring Break
Table 2: Course Calendar–Part II. *Asterisk indicates class may need to be rescheduled.

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<tr>
<th>Date</th>
<th>Topic</th>
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<tbody>
<tr>
<td>T Mar 14</td>
<td>Snow Day for Blizzard Stella</td>
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<tr>
<td>R Mar 16</td>
<td>Present Bias</td>
<td>Lecture notes; DellaVigna and Malmendier (2004)</td>
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<tr>
<td>T Mar 21</td>
<td>Present Bias</td>
<td>DellaVigna and Malmendier (2006); Oster and Scott Morton (2005)</td>
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<tr>
<td>T Mar 28</td>
<td>Dynamic Nonlinear Pricing</td>
<td>Lecture notes &amp; Grubb (2009); Grubb (2015b)</td>
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<tr>
<td>T Apr 4</td>
<td>Pass-through Rate</td>
<td>Lecture Notes; Bulow and Pfleiderer (1983); E. Glen Weyl and Fabinger (2013)</td>
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<td>R Apr 6</td>
<td>Consumer Protection</td>
<td>Grubb (2015d); Lecture Notes (use quantity pass-through)</td>
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<td>R Apr 13</td>
<td>Easter break</td>
<td></td>
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<td>T Apr 18</td>
<td>Collusion</td>
<td>Tirole (1988 Chapter 6); Harrington and Skrzypacz (2011)</td>
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<td>R Apr 20</td>
<td>Collusion</td>
<td>Miller and Weinberg (2015)</td>
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<tr>
<td>T Apr 25*</td>
<td>Learning</td>
<td>Covert (2015)</td>
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<tr>
<td>R Apr 27</td>
<td>Student Presentations</td>
<td></td>
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<tr>
<td>T May 2</td>
<td>Student Presentations</td>
<td></td>
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<tr>
<td>R May 4</td>
<td>Student Presentations</td>
<td>Research Proposals Due</td>
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<tr>
<td>S May 13</td>
<td>IO Final Exam</td>
<td>Wednesday May 11 at 9:00am</td>
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5
Suggested Reading List by Topic; required readings are in bold

Required Reading


Klemperer, Paul (1995). “Competition When Consumers Have Switching Costs: An Overview with Applications to Industrial Organization, Macroeconomics, and


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

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-


Searching and Switching


Consumer Confusion and Obfuscation


### Adverse Selection in Insurance Markets


Boundedly Rational Managers


Hidden Fees


Present Biased Preferences


Dynamic Nonlinear Pricing


Consumer Protection and the Pass-Through Rate


Trusted Choices


Collusion


Learning


Other Behavioral IO References


**Bundling**


