

Industrial Organization and Public Policy II (Econ 846-001)

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Office Hours: If you are on the Fairfax campus, feel free to drop by any time or call for an appointment. Email is a good way to contact me. **All students should periodically check their GMU email account for important information.**

Office Hours: T-Thr: 10-12, 2-4

Textbooks: Carlton and Perloff's [Modern Industrial Organization](#) is the best undergraduate IO book and Jean Tirole's [The Theory of Industrial Organization](#) (MIT Press) is the best graduate book, albeit now quite dated. I recommend both books, especially if you will write the IO prelim. Paul Klemperer's book [Auctions: Theory and Practice](#) is a very nice introduction to the topic – note, however, that most of the papers in the book are available online if you want to save some money. Also, although I will be dipping into all books, some subjects that I will cover are not covered in either and I do not follow either book systematically. The books are recommended - you may choose not to purchase and instead work from articles and class notes.

Grading: The largest share of your grade will be determined by a paper. Ideally, the paper will serve as a draft for a dissertation chapter and eventually a publication. I am looking for a 10-20 page, well-written theory or empirical paper in IO. You may work in a group of two or at most three but note that you cannot all have the same dissertation chapter! Papers are due last day of class – no exceptions. You are encouraged to *think about topics early* and see me for some possible guidance.

You will also be required to make a 15 minute class presentation on the subject of your paper.

IO Paper	35%
Presentation	10%
Homework	25%
MidTerm/Final	30%

My personal grading scale is as follows. Note that sometimes the university does not allow certain grades such as Ds – in which case you will receive the next highest grade below D. Plus-Minuses for B through D grades, where allowed by university policy, will occur at the upper and lower 2.5% level. For example, 70-72.49 will be B-, 72.5-77.49 B, 77.5-79.9 B+ and so forth.

A+:	90%+
A:	85-89%
A-:	80-84%
B:	70-79%
C:	60-69%
D:	50-59%
F:	50% -

Disability Policy: If you are a student with a disability and you need academic accommodations, please see me and contact the disability Resource Center (DRC) at 703-993-2474. All academic accommodations must be arranged through that office.

Topics:

Review of Monopoly

Tirole, 65-69
CP, 87-105

Price Discrimination

Tirole, chapter 3
CP, chapter 9. 10

*Ayres, I., and P. Siegelman. 1995. [Race and Gender Discrimination in Bargaining for a New Car](#). *American Economic Review* 85 (3):304-21.

Cowling, K., and D. C. Mueller. 1978. [The Social Costs of Monopoly Power](#). *The Economic Journal* 88 (Dec):727-48.

Varian, H. 1985. [Price Discrimination and Social Welfare](#). *American Economic Review* 75 (4):870-75.

Adams, W. J., and J. L. Yellen. 1976. [Commodity Bundling and the Burden of Monopoly](#). *Quarterly Journal of Economics* 90 (3):475-98.

*Bakos, Y., and E. Brynjolfsson. 1999. [Bundling Information Goods: Pricing, Profits, and Efficiency](#). *Management Science* 45:1613-30.

Bakos, Y., and E. Brynjolfsson. 2000. [Bundling and Competition on the Internet](#). *Marketing Science* 19 (1):

*Nalebuff, Barry. 2004. [Bundling as an Entry Barrier](#). *Quarterly Journal of Economics* 119 (1):159-188. Also available as a [Wharton Working Paper](#).

*Xavier Gabaix, and David Laibson. 2006. [Shrouded Attributes, Consumer Myopia, and Information Suppression in Competitive Markets](#). *The Quarterly Journal of Economics* 121, no. 2. *The Quarterly Journal of Economics*: 505-540.

*Lott, J. R., and R. D. Roberts. 1991. [A Guide to the Pitfalls of Identifying Price Discrimination](#). *Economic Inquiry* XXIX (Jan):14-23.

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Monopoly, Product Quality and Durability, Coase Conjecture

Tirole, 79-87, 100-104
CP, chapter 15

*Barzel, Y. 1976. [An Alternative Approach to the Analysis of Taxation](#). *Journal of Political Economy* 84 (6):1177-97.

*Bulow, J. I. 1982. [Durable Goods Monopolists](#). *Journal of Political Economy* 90 (2):314-32.

Coase, R. H. 1972. [Durability and Monopoly](#). *Journal of Law and Economics* 15 (April):143-49.

Morch von der Fehr, N.-H., and K.-U. Kuhn. 1995. [Coase Versus Pacman: Who Eats Whom in the Durable-Goods Monopoly](#). *Journal of Political Economy* 103 (4):785-812.

*Masten, S. E., and E. A. Snyder. 1993. [United States Versus United Shoe Machinery Corporation: On the Merits](#). *Journal of Law and Economics* XXXVI (April):33-70.

*Bulow, J. 1986. [An Economic Theory of Planned Obsolescence](#). *Quarterly Journal of Economics* 101 (4):729-49.

*Akerlof, G. A. 1970. [The Market for Lemons: Quality Uncertainty and the Market Mechanism](#). *Quarterly Journal of Economics* 84:488-500.

*Shapiro, C. 1983. [Premiums for High Quality Products As Returns to Reputations](#). *Quarterly Journal of Economics* 98 (4):659-79.

*Waldman, M. 2003. [Durable Goods Theory for the Real World Markets](#). (link requires subscription) *Journal of Economic Perspectives* 17 (1):131-54.

Johnson, J. P., and M. Waldman. 2003. [Leasing, Lemons and Buybacks](#). *Rand Journal of Economics* 34 (2):247-65.

Hendel, I., and A. Lizzeri. 1999. [Adverse Selection in Durable Goods Markets](#). *American Economic Review* 89 (5):1097-1115.

Gilligan, T. W. 2003. [Lemons and Leases in the Used Business Aircraft Market](#). *Working Paper*.

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Hemenway, David. 1990. [Propitious Selection](#). *The Quarterly Journal of Economics*, Vol. 105, No. 4. pp. 1063-1069.

Finkelstein, Amy and Kathleen McGarry. 2006. [Multiple dimensions of private information: evidence from the long-term care insurance market](#) 2006, *American Economic Review* September 96(4): 938-958.

Quality Discrimination

Tirole, 153-162
CP, chapter 10

Deneckere, R. J., and P. R. McAfee. 1996. [Damaged Goods](#). *Journal of Economics and Management Strategy* 5 (2):149-74.

Waldman, M. 1996. [Durable Goods Pricing When Quality Matters](#). *Journal of Business* 69 (Oct):489-510.

---. 1993. [A New Perspective On Planned Obsolescence](#). *Quarterly Journal of Economics* 108 (1):273-83.

Auctions

Klemperer, Paul. 2000. [Auction Theory: A Guide to the Literature](#). Introductory chapter to *The Economic Theory of Auctions*, P. Klemperer (ed.), Edward Elgar (pub.). (Also published in *Journal of Economic Surveys*, 1999, and reprinted in *The Current State of Economic Science* S. Dahiya (ed.), 1999.)

*Klemperer, Paul. 2003. [Why Every Economist Should Learn Some Auction Theory](#). *Advances in Economics and Econometrics: Invited Lectures to 8th World Congress of the Econometric Society*, M. Dewatripont, L. Hansen and S. Turnovsky (eds.), Cambridge University Press.

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Milgrom, P. R., and R. J. Weber. 1982. [A Theory of Auctions and Competitive Bidding](#). *Econometrica* 50 (September):1089-1122.

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*David Lucking-Reiley. 1999. [Using Field Experiments to Test Equivalence Between Auction Formats: Magic on the Internet](#). *American Economic Review*. 89 (5): 1063-1080.

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Tideman, T. N., & Tullock, G. 1976. [A New and Superior Process for Making Social Choices](#). *Journal of Political Economy*, 84(6): 1145–1159. Retrieved from

<http://www.jstor.org/stable/1831271>

*Varian, H. R., & Harris, C. 2014. [The VCG Auction in Theory and Practice](#). *The American Economic Review*, 104(5): 442–445.

Incentive Schemes, Tournaments, Piece Rates

*Prendergast, C. 1999. [The Provision of Incentives in Firms](#). *Journal of Economic Literature* XXXVII (1, March):7-63.

Lazear, E. P., and S. Rosen. 1981. [Rank Order Tournaments As Optimum Labor Contracts](#). *Journal of Political Economy* 89 (5):841-64.

Baker, G. P. 1992. [Incentive Contracts and Performance Measurement](#). *Journal of Political Economy* 100 (3):598-614.

*Holmstrom, B., and P. Milgrom. 1991. [Multitask Principal-Agent Analyses: Incentive Contracts, Asset Ownership, and Job Design](#). *Journal of Law, Economics, and Organization* 7 (sp):24-52.

*Lazear, Edward. P. 1996. [Performance Pay and Productivity](#). NBER Working Paper 5672

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*Prendergast, Canice. 1999. [Paying for Performance](#). The financial Times (Dec. 13).

*King, Ralph T. 1998. [Infighting Rises, Productivity Falls, Employees Miss Piecework System](#). Wall Street Journal (May 20).

Gneezy, U., M. Niederle, and A. Rustichini. 2003. [Performance in competitive environments: Gender differences](#). *Quarterly Journal of Economics*, August 2003, p. 1049-1074.

The Problem with Strong Incentives

*Hart, O. A. Shleifer, and R.W. Vishny. 1997. [The Proper Scope of Government: Theory and Application to Prisons](#). *Quarterly Journal of Economics* 451: 1127-162.

*Kane, T. J., and D. O. Staiger. 2002. [The Promise and Pitfalls of Using Imprecise School Accountability Measures](#). *Journal of Economic Perspectives* 16 (4):91-114.

*Dranove, D., D. Kessler, M. McClellan, and M. Satterthwaite. 2003. [Is More Information Better? The Effects of "Report Cards" On Health Care Providers](#). *Journal of Political Economy* 111 (3):555-88.

Behavioral Economics and Incentives

*Dan Pink. TED Talk: [The Surprising Science of Motivation](#).

*Gneezy, Uri, and Aldo Rustichini. 2000. A Fine Is a Price. *The Journal of Legal Studies* 29, no. 1 (January 1): 1-17. doi:[10.1086/468061](https://doi.org/10.1086/468061).

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SPIEGLER, R. (2006), [The Market for Quacks.](#) *Review of Economic Studies*, 73: 1113–1131. doi: [10.1111/j.1467-937X.2006.00410.x](https://doi.org/10.1111/j.1467-937X.2006.00410.x)

Quasi-Hyperbolic Discounting

Laibson, David. 1997. [Golden Eggs and Hyperbolic Discounting](#). Quarterly Journal of Economics 112(2): 443-477.

Shapiro, Jesse. 2005. [Is There a Daily Discount Rate? Evidence from the Food Stamp Nutrition Cycle](#). 89(2-3), pp. 303-25.

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Management, Productivity and Entrepreneurship

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*Decker, R., Haltiwanger, J., Jarmin, R., Miranda, J., 2014. [The Role of Entrepreneurship in US Job Creation and Economic Dynamism](#). Journal of Economic Perspectives 28, 3–24. doi:10.1257/jep.28.3.3

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Patents and Intellectual Property

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Alternatives to Patents

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The Pharmaceutical Market and Regulation

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IO Theory in other Fields/School Choice and Federalism

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