

Enrichment Reading List for *Elements of Economics II*

By E. Glen Weyl

This extended list of readings is neither required for the class nor directly substitutable for the required readings, nor does it directly form the basis of material in lecture. However these readings have played an important part in shaping my ideas and views that shaped the lectures and all are quite closely related to the relevant lectures. They therefore will hopefully be useful to students interested in digging deeper on various topics we cover in class. Also, given that exams and problem sets will not only test your grasp of the material covered in class and the main readings but more broadly your creativity and intellectual as an economist, diving into, or even just skimming, enrichment readings that catch your interest will likely aid your success in the class, more certainly and importantly, help you become a better economist.

The readings associated with each lecture are divided into six categories:

1. Technical depth: these provide deeper or more general mathematical treatment of the topics.
2. Empirical and policy applications: these measure the economic forces raised in the material, use the insights generated by the theory to make concrete prescriptions for policies or institutions or both.
3. Historical interest: these readings trace the origins of the ideas lying behind the relevant material, either by directly citing the original sources or secondary sources in the history of economics.
4. Alternative perspectives: lectures present largely my views on economic issues, which for the most part mirror the mainstream consensus in the field, to the extent one exists. But of course economists disagree on many issues and thus I have provided readings with contrasting perspectives, especially where there are views of prominent economists that contrast with mine.
5. Current events: these readings, drawn from non-academic periodicals (especially *The Economist*) illustrate the applicability of the principles learned in class to current affairs.
6. Humanistic: these readings bring out the themes we are studying from a humanistic (mostly literary or philosophical) perspective

Other useful textbooks

1. Donald N. McCloskey, *Applied Theory of Price*
2. Milton Friedman, *Price Theory*

I. Introduction

A. Introduction

1. Technical depth: None
2. Empirical and policy applications: “Sufficient Statistic for Welfare Analysis” by Raj Chetty
3. Historical interest: *Economists and Societies* by Marion Fourcade
4. Alternative perspectives
 - a. “Psychology and Economics” by Matthew Rabin
 - b. “The Methodology of Positive Economics” by Milton Friedman
 - c. *The Logic of Scientific Discovery* by Karl Popper

5. Current events
 - a. "The Restoration of Welfare Economics" by Tony Atkinson
 - b. "Dismal Ethics" from *The Economist*, January 8, 2011
6. Humanistic: *War and Peace* by Leo Tolstoy: Book 11, Chapter 1
- B. Theory of the Firm
 1. Technical depth
 - a. *Theory of Corporate Finance* by Jean Tirole
 - b. "Moral Hazard and Observability" by Bengt Holmström
 - c. "The Economic Theory of Agency: The Principal's Problem" by Stephen Ross
 - d. "Equilibrium Unemployment as a Worker Discipline Device" by Carl Shapiro and Joseph Stiglitz
 2. Empirical and policy applications
 - a. "Adaptation and Vertical Integration in the Airline Industry" by Silke Forbes and Mara Lederman
 - b. "Are CEOs Rewarded for Luck? The Ones without Principles Are" by Marianne Bertrand and Sendhil Mullainathan
 - c. "CEO Overconfidence and Corporate Investment" by Ulrike Malmendier and Geoffrey Tate
 - d. "Why has CEO Pay Increased So Much?" by Xavier Gabaix and Augustin Landier
 3. Historical interest
 - a. *Markets and Hierarchies* by Oliver Williamson
 - b. "Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure" by Michael C. Jensen and William H. Meckling
 7. Alternative perspectives
 - a. "How to Fix Capitalism" by Michael Porter and Mark Kramer
 - b. "The Theory of the Firm as Governance Structure" by Oliver E. Williamson
 8. Current events
 - a. "The News International Scandal: How to lose friends and alienate people" from *The Economist*, July 14th 2011.
 - b. "UBS's Trading Loss: Swiss miss" from *The Economist*, September 24th, 2011.
 9. Humanistic:

When he asked (Russian peasants) why they limited themselves (to a monotonous diet of potatoes), they replied, "Well, there is no reason to eat any better when you are working by the day." If they were working by the job through piecework, on the other hand, they would eat cabbage soup with ham and buckwheat, "hearty, solid food." "It's not worth it for us to eat well now when we are working by the day because it's all the same how much we get done...it's always the same forty-five kopecks. But if we were working by the job, if we were digging ditches, hauling dirt...then it would be more profitable to do more, to earn...a ruble a day, and thus you can't earn on just potatoes. Then we would eat solid food-lard, kasha. Everyone knows that you'll work as well as you eat."

--Cathy A. Frierson, *Peasant Icons: Representations of Rural People in Late 19th*

- II. Supply
 - A. Cost

1. Technical depth
 - a. *Microeconomic Theory* by Andreu Mas-Colell et al., Chapter 5
 - b. “Duality Approaches to Microeconomic Theory” by W. E. Diewart
 - c. “On the Relationship between Historic Cost, Forward-looking Cost and Long-Run Marginal Cost” by William P. Rogerson
 2. Empirical and policy applications
 - a. “Equilibrium and Uncertainty in Sponsored Search Advertising” by Susan Athey and Dennis Nekipelov
 - b. “Estimating Welfare in Insurance Markets using Variation in Prices” by Liran Einav et al.
 - c. “Learning and Forgetting” by C. Lanier Benkard
 - d. *Poor Economics* by Abhijit Banerjee and Esther Duflo
 - e. “The Dynamics of Productivity in the Telecommunications Equipment Industry” by G. Steven Olley and Ariel Pakes
 - f. “Is the U.S. Aggregate Production Function Cobb-Douglas? New Estimates of the Elasticity of Substitution” by Pol Antràs
 3. Historical interest
 - a. “The Origins of the von Thünen-Mill-Pareto-Wicksell-Cobb-Douglas Production Function” by P. J. Lloyd
 - b. “Cost Curves and Supply Curves” by Jacob Viner
 - c. “Cost and Production Functions” by Ronald W. Shephard
 - d. “A Theory of Production” by Charles W. Cobb and Paul H. Douglas
 4. Current events: None
 5. Alternative perspectives: None
 6. Humanistic: *Utopia* by Sir Thomas More (Book I)
- B. Firm Supply and Duration
1. Technical depth: “An Alternative to Steady-State Comparisons” by Peter Diamond
 2. Empirical and policy applications
 - a. “Learning and Forgetting” by C. Lanier Benkard
 - b. “Cattle Cycles” by Kevin M. Murphy, Sherwin Rosen and José A. Scheinkman
 - c. “An Empirical Analysis of Cigarette Addiction” by Gary S. Becker, Grossman and Kevin M. Murphy
 - d. “Measuring the Implications of Sales and Consumer Stockpiling” by Igal Hendel and Aviv Nevo
 3. Historical interest: *Principles of Economics* by Alfred Marshall, Book V, Chapter V and Book V, Chapter XIV, section 8
 4. Current events: “Crime and Politics in Mexico: A turning tide” from *The Economist*, June 30th, 2011.
 5. Alternative perspectives
 - a. “Markov-Perfect Industry Dynamics” by Richard Ericson and Ariel Pakes
 - b. *A Long-Run Collaboration on Long-Run Games* by Drew Fudenberg and David K. Levine
 6. Humanistic: *Utopia* by Sir Thomas More (Book I)
- III. Perfect Competition
- A. Industry Supply and Rents

1. Technical depth: “Envelope Theorems for Arbitrary Choice Sets” by Paul Milgrom and Ilya Segal
 2. Empirical and policy applications
 - a. “Measuring and Explaining Management Practices Across Firms and Countries” by Nicholas Bloom and John Van Reenan
 - b. “Does Management Matter? Evidence from India” by Nicholas Bloom et al.
 - c. “Why has CEO Pay Increased So Much?” by Xavier Gabaix and Augustin Landier
 - d. “The Incidence of the Corporation Income Tax” by Arnold Harberger
 - e. *Against Intellectual Monopoly* by Michele Boldrin and David K. Levine
 3. Historical interest: *The Psychobiology of Language* by George K. Zipf
 4. Alternative perspectives: “Contestable Markets” by William J. Baumol
 5. Current events: None
 6. Humanistic: None
- B. Equilibrium
1. Technical depth
 - a. “Protection and Real Wages” by Wolfgang F. Stolper and Paul A. Samuelson
 - b. “Scale Economies, Product Differentiation and the Patterns of Trade” by Paul Krugman
 - c. “Dynamics in General Equilibrium Theory” by Stephen Smale
 - d. “Existence of an Equilibrium for a Competitive Economy” by Arrow and Debreu
 2. Empirical and policy applications
 - a. *Commerce and Coalitions* by Ronald Rogowski
 - b. “A Theory of Marriage” by Gary S. Becker
 - c. “An Experimental Study of Competitive Market Behavior” by Vernon Smith
 - d. “Technology, Geography and Trade” by Jonathan Eaton and Sam Kortum
 - e. “The Course Allocation Problem: Approximate Competitive
 - f. “Gravity with Gravitas: A Solution to the Border Puzzle” by James E. Anderson and Eric van Wincoop
 - g. “Equilibrium from Equal Incomes” by Eric Budish
 - h. “Railroads of the Raj” by Dave Donaldson
 3. Historical interest
 - a. *An Investigation into the Nature and Causes of the Wealth of Nations* by Adam Smith
 - b. *Principles of Political Economy and Taxation* by David Ricardo
 - c. *Elements of Pure Economics, or the theory of social wealth* by Léon Walras
 - d. *Socialism: An Economic and Sociological Analysis* by Ludwig Von Mises
 - e. “Léon Walras and His Economic System” by Milton Friedman
 - f. “What do Statistical ‘Demand Curves’ Show?” by E. J. Working

- g. *Progress and Poverty* by Henry George
 - 4. Alternative perspectives
 - a. *Das Kapital* by Karl Marx
 - b. “Walrasian Equilibrium with Gross Substitutes” by Faruk Gul and Ennio Stachetti
 - c. *The Jungle* by Upton Sinclair
 - 5. Current events: “China's double-edged trade with Latin America” from AFP, September 4, 2011
 - 6. Humanistic
 - a. *Atlas Shrugged* by Ayn Rand
 - b. “The Commanding Heights”: PBS documentary
 - c. “I, Pencil” by Leonard E. Read
- IV. Externalities
 - A. Pigou
 - 1. Technical depth
 - a. “The General Theory of the Second Best” by R. G. Lipsey and Kelvin Lancaster
 - b. “Incentive Contracts and Performance Measurement” by George P. Baker
 - 2. Empirical and policy applications
 - a. “Salience and Taxation: Theory and Evidence” by Raj Chetty, Kory Kroft and Adam Looney
 - b. “What Can we Learn from the Grand Policy Experiment? Lessons from the SO2 Allowance Trading” by Robert N. Stavins
 - 3. Historical interest
 - a. “Marginal Productivity Analysis: Some General Issues” by Milton Friedman, Chapter 10 in *Price Theory*
 - b. *The Economics of Welfare* by Arthur Pigou
 - 4. Alternative perspectives
 - a. “On the Economic Theory of Socialism” by Oskar Lange
 - b. “The Problem of Social Cost” by Ronald Coase
 - c. “Moral Hazard and Observability” by Bengt Holmstöm
 - 5. Current events
 - a. “Liability for Economic Loss in Connection with the Deepwater Horizon Spill” by John C. G. Goldberg
 - b. “What Would Pigou Do?” by E. Glen Weyl
 - 6. Humanistic
 - a. *Reasons and Persons* by Derek Parfit (parts 3 and 4)
 - b. “The Impossibility of a Paretian Liberal” by Amartya K. Sen
 - B. Assessing Externalities
 - 1. Technical depth
 - a. “Characterization of Satisfactory Mechanisms for the Revelation of Preferences for Public Goods” by Jerry Green and Jean-Jacques Laffont
 - b. “Robust Mechanism Design” by Dirk Bergmann and Stephen Morris
 - c. “A Characterization of Efficient, Bayesian Incentive Compatible Mechanisms” by Steven R. Williams

- d. “Foundations of Dominant Strategy Mechanisms” by Kim-Sau Chung and J. C. Ely
- e. “The College Admissions Problem with a Continuum of Studnets” by Eduardo M. Azevedo and Jacob Leshno
- 2. Empirical and policy applications
 - a. *Putting Auction Theory to Work* by Paul Milgrom
 - b. “Measuring Demand for Mass Public Transportation” by Daniel L. McFadden
 - c. “Worms” by Edward Miguel and Michael Kremer
 - d. “An Interim Evaluation of Sulfur Dioxide Emissions Trading” by Richard Schmalensee, Paul L. Joskow, A. Denny Ellerman, Juan Pablo Montero and Elizabeth M. Bailey
 - e. “The Benefits of the Home Mortgage Interest Deduction” by Edward L. Glaeser and Jesse M. Shapiro
 - f. *Combinatorial Auctions* by Peter Cramton, Yoav Shoham and Richard Steinberg
- 3. Historical interest
 - a. *Secret Origins of Modern Microeconomics* by Robert B. Ecklund Jr. and Robert F. Hébert
 - b. William Vickrey, “Counterspeculation, Auctions and Competitive Sealed Tenders”
 - c. *Études Théoriques et Pratiques sur le Movement des Eaux Courantes* by Jules Dupuit
- 4. Alternative perspectives
 - a. “Nash Equilibrium and Welfare Optimality” by Eric Maskin
 - b. “Full Extraction of the Surplus in Bayesian and Dominant Strategy Auctions” by Jacques Crémer and Richard P. McLean
- 5. Current events: “The Long, Hard Haul” from *The Economist*, March 17th 2011
- 6. Humanistic: None

V. Monopoly

A. Foundations of Monopoly Theory

- 1. Technical depth
 - a. “Durable-Goods Monopolists” by Jeremy I. Bulow
 - b. “Robust Predictions for Bilateral Contracting with Externalities” by Ilya Segal and Michael D. Whinston
- 2. Empirical and policy applications
 - a. “Estimating the Residual Demand Curve Facing a Single Firm” by Jonathan B. Baker and Timothy F. Bresnahan
 - b. “Estimation Cost Function Parameters Without Using Cost Data: Illustrated Methodology” by James N. Rosse
 - c. “Empirical Models of Auctions” by Susan Athey and Philip A. Haile
- 3. Alternative perspectives
 - a. “Durability and Monopoly” by Ronald Coase
 - b. “X-Inefficiency Xists – Reply to an Xorcist” by Harvey Leibenstein
 - c. “Do Investors Forecast Fat Firms” by Severin Borenstein and Joseph Farrell

- d. “Freedom to Trade and the Competitive Process” by Aaron Edlin and Joseph Farrell
- 4. Historical interest
 - a. “Of Monopoly” by A.-Augustin Cournot, Chapter V of *Researches into the Mathematical Principles of the Theory of Wealth* (online)
 - b. “The Concept of Monopoly and the Measurement of Monopoly Power” by Abba P. Lerner
- 5. Current events: “Mexico’s Economy: The cartel problem” from *The Economist*, August 27, 2011.
- 6. Humanistic
 - a. *The Politics* by Aristotle, Volume 1, Book I (online)
 - b. *Catch 22* by Joseph Heller
- B. Price Discrimination
 - 1. Technical depth
 - a. “Recent Developments in the Economics of Price Discrimination” by Mark Armstrong, Chapter 4 in *Advances in Economics and Econometrics: Theory and Applications, Ninth World Congress, Volume II* edited by Richard Blundell, Whitney K. Newey, and Torsten Persson
 - b. “Asymmetric Auctions” by Eric Maskin and John Riley
 - c. “Monopoly and Product Quality” by Michael Mussa and Sherwin Rosen
 - d. “Monopoly and Incomplete Information” by Eric Maskin and John Riley
 - 2. Empirical and policy applications
 - a. “Competition and Price Dispersion in the U.S. Airline Industry” by Severin Borenstein and Nancy L. Rose
 - b. “Are Structural Estimates of Auction Models Reasonable? Evidence from Experimental Data” by Patrick Bajari and Ali Hortaçsu
 - c. “Workfare versus Welfare: Incentive Arguments for Work Requirements in Poverty-Alleviation Programs” by Timothy Besley and Stephen Coate
 - d. “An Economic Theory of Criminal Law” by Richard A. Posner, Subsection III.B on “Criminal Intent”
 - e. “Price Discrimination by U.S. and German Exporters” by Michael M. Knetter
 - f. “Price Discrimination in Broadway Theatre” by Phillip Leslie
 - 3. Historical interest
 - c. “Price Discrimination and Product Differentiation in Economic Theory: An Early Analysis” by Robert B. Eckelund, Jr.
 - d. *Secret Origins of Modern Microeconomics* by Robert B. Ecklund Jr. and Robert F. Hébert
 - 4. Alternative perspectives: “The Unity of Auction Theory” by Eric Maskin
 - 5. Current events
 - a. “Price Discrimination and Smuggling of AIDS Drugs” by Richard Hornbeck
 - b. “Privacy, Economics, and Price Discrimination on the Internet” by Andrew Odlyzko

6. Humanistic
 - a. “The Significance of Intent” by Tim Scanlon, Chapter 2 in *Moral Dimensions*
 - b. “Master of the House” from *Les Miserables*, the musical
- VI. Policy Applications of Monopoly Theory
- A. Redistribution
 1. Technical depth
 - a. “Taxing Leisure Complements” by Louis Kaplow
 - b. “Progressive Estate Taxation” by Emmanuel Farhi and Iván Werning
 - c. “Optimal Income Transfer Programs: Intensive Versus Extensive Labor Supply Responses” by Emmanuel Saez
 - d. “Inequality and Social Discounting” by Emmanuel Farhi and Iván Werning
 - e. *Commodities and Capabilities* by Amartya K. Sen
 - f. “Three Solutions to the Problem of Compensation” by Marc Fleurbaey
 2. Empirical and policy applications
 - a. “The Elasticity of Taxable Income with Respect to Marginal Tax Rates: A Critical Review” by Emmanuel Saez et al.
 - b. “Moral Hazard vs. Liquidity and Optimal Unemployment Insurance” by Raj Chetty
 - c. “Income Inequality in the United States 1913-1998” by Thomas Piketty and Emmanuel Saez
 - d. “The Surprising Power of Age-Dependent Taxation” by Matthew Weinzierl
 - e. “Incorporating Preference Heterogeneity into Optimal Tax Models” by Matthew Weinzierl
 3. Historical interest
 - a. *Agenda for Progressive Taxation* by William Vickrey
 - b. “Economic Growth and Income Inequality” by Simon S. Kuznets
 - c. “Measuring Marginal Utility by Reactions to Risk” by William Vickrey
 - d. “An Exploration in the Theory of Optimal Taxation” by J. A. Mirrlees
 - e. “Shares of Upper Income Groups in Savings” by Simon S. Kuznets
 4. Alternative perspectives
 - a. “Optimal Taxation in Theory and Practice” by Matthew Weinzierl, N. Gregory Mankiw and Danny Yagan
 - b. “New Dynamic Public Finance: A User’s Guide” by Mikhail Golosov, Aleh Tsyvinski and Iván Werning
 - c. “Time-Consistent Health Insurance” by John Cochrane
 5. Current events
 - a. “Stop Coddling the Super-Rich” by Warren E. Buffet
 - b. “Taxing the Wealthy: Diving into the rich pool” from *The Economist*, September 24, 2011.
 6. Humanistic
 - a. *Reasons and Persons* by Derek Parfit
 - b. *Anarchy, State and Utopia* by Robert Nozick

- c. Victor Hugo, "Les Miserables" Volume IV, Book First, Chapter IV
- d. *A Theory of Justice* by John Rawls
- e. "Equal Opportunity or Equal Social Outcome?" by Marc Fleurbaey

B. Regulation

1. Technical depth:
 - a. "Monopolistic Competition and Optimum Product Diversity" by Avinash K. Dixit and Joseph E. Stiglitz
 - b. "Non-exclusive Competition in the Market for Lemons" by Anrea Attar, Thomas Mariotti and François Salanié
 - c. "Overcoming Adverse Selection: How Public Intervention Can Restore Market Functioning" by Jean Tirole
2. Empirical and policy applications
 - a. "Beyond Testing" by Liran Einav, Amy Finkelstein and Jonathan Levin
 - b. "Inflation and Environmental Concern" by Paul L. Joskow
 - c. "Adverse Selection and Switching Costs in Health Care" by Ben Handel
 - d. "Testing for Adverse Selection with 'Unused Observables'" by Amy Finkelstein and James Poterba
3. Historical interest
 - a. "Uses and Abuses of Gresham's Law in the History of Money" by Robert Mundell
 - b. "Jules Dupuit and the Early Theory of Marginal Cost Pricing" by R. B. Ekelund, Jr.
 - c. *Secret Origins of Modern Microeconomics* by Robert B. Ecklund Jr. and Robert F. Hébert
 - d. "The Market for 'Lemons': Quality Uncertainty and the Market Mechanism" by George Akerlof
 - e. "The General Welfare in Relation to Problems of Taxation and of Railway and Utility Rates" by Harold Hotelling
4. Alternative Perspectives
 - a. "The Theory of Economic Regulation" by George J. Stigler
 - b. "Insurance Pricing and Consumer Welfare: Evidence from Medigap" by Amanda Starc
5. Current events: "Health Care Reform: Competition or chaos?" from *The Economist*, July 14, 2011.
6. Humanistic: None

VII. Products

A. Intellectual Property and New Products

1. Technical depth
 - a. "Innovation Incentives for Information Goods" by Erik Brynjolfsson and Xiaoquan (Michael) Zhang
 - b. "Rewarding Sequential Innovations: Prizes, Patents and Buyouts" by Hugo Hopenhayn, Gerard Llobert and Matthew Mitchell
 - c. "On the Optimality of the Patent Renewal System" by Suzanne Scotchmer
 - d. "On the Division of Profits in Sequential Innovation" by Jerry R. Green and Suzanne Scotchmer

2. Empirical and policy applications
 - a. “Intellectual Property Rights and Innovation: Evidence from the Human Genome” by Heidi Williams
 - b. “Assessing the Contribution of Venture Capital to Innovation” by Samuel Kortum and Josh Lerner
 - c. “The Economic Theory of Illegal Goods: The Case of Drugs” by Gary S. Becker, Kevin M. Murphy and Michael Grossman
 - d. *Innovation and its Discontents* by Adam B. Jaffe and Josh Lerner
 - e. “The Determinants of National Innovative Capacity” by Jeffrey L. Furman, Michael E. Porter and Scott Stern
 - f. “Schumpeterian Profits and the Alchemist Fallacy” by William D. Nordhaus
3. Historical interest
 - a. Adam Smith, *Lectures on Jurisprudence*, p.82-3
 - b. John Stuart Mill, *Principles of Political Economy with some of their Applications to Social Philosophy* Book V, Chapter X, paragraphs 10 and 25
 - c. Alfred Marshall, *Principles of Economics*, Book IV, Chapter IX note 110, Chapter XI note 133, Book VI, Chapter III, Book V, Chapter XIV, notes 131 and 133 and Book V, Chapter XIII
 - d. Ronald Coase, “The Marginal Cost Controversy”
 - e. William Vickrey “Some Objections to Marginal-Cost Pricing”
 - f. *Invention, Growth, and Welfare* by William D. Nordhaus
4. Alternative perspectives
 - a. *Against Intellectual Monopoly* by Michele Boldrin and David K. Levine
 - b. *The New Argonauts* by Annalee Saxenian
 - c. *Theory of Monopolistic Competition* by Edward Hastings Chamberlain
 - d. *The Economics of Imperfect Competition* by Joan Robinson
5. Current events: “Leviathan, Inc.” from *The Economist* (2010), August 7th-13th
6. Humanistic

a.

The Sybarites,” Phylarchus [the 3rd cent. BCE historian] says, “having drifted into luxury wrote a law that women be invited to festivals and that those who make the call to the sacrifice issue their summons a year in advance; thus the women could prepare their dresses and other adornments in a manner befitting that time span before answering the summons. And if some cook or chef invented an extraordinary recipe of his own, no one but the inventor was entitled to use it for a year, in order that during this time the inventor should have the profit and others might labor to excel in such endeavors. Similarly, those who sold eels were not charged taxes, nor those who caught them. In the same manner they made those who worked with sea-purple dye and those who imported it exempt from taxes.

--Athenaeus, *Deipnosophistae* (The Scholars at Dinner), XII 521c2–d7

- b. “The Social Network”, a film by Aaron Sorkin
- A. Quality

1. Technical depth
 - a. “Hedonic Prices and Implicit Markets” by Sherwin Rosen
 - b. *The Spatial Theory of Voting* by James M. Enelow and Melvin J. Hinch
 - c. “Monopoly, Non-linear Pricing and Imperfect Information: The Insurance Market” by Joseph E. Stiglitz
 - d. “Equilibrium in Competitive Insurance Markets: An Essay on the Economics of Imperfect Information” by Michael Rothschild and Joseph Stiglitz
 - e. “Relaxing Price Competition Through Product Differentiation” by Avner Shaked and John Sutton
2. Empirical and policy applications
 - a. “What Drives Media Slant? Evidence from the U. S. Daily Newspaper Market” by Matthew Gentzkow and Jesse M. Shapiro
 - b. “Entry Deterrence in the Ready-to-Eat Cereal Market” by Richard Schmalensee
 - c. “Hubs and High Fares” by Severin Borenstein
 - d. *Congress* by Keith T. Poole and Howard Rosenthal
 - e. “Product Choice and Oligopoly Market Structure” by Michael J. Mazzeo
3. Alternative perspectives
 - a. *Exit, Voice and Loyalty* by Albert O. Hirschmann
 - b. *The Innovator’s Dilemma* by Clayton M. Christensen
4. Historical interest: Section 8 of Chapter XIV in Book V of Alfred Marshall’s *Principles of Economics*
5. Current events: “Lexington: An underperforming president” from the August 6th, 2011 issue of *The Economist*.
6. Humanistic
 - a. *Network Power* by David Grewal
 - b. One of my favorite jokes, about the Spence distortion: David Ben-Gurion, founder and first Prime Minister of the State of Israel, dies and goes up to God. God tells him that, because he has been so good to his chosen people, he will let him choose if he wants to go to Heaven or Hell. Ben-Gurion responds that he needs to see both first. So God takes him down to Hell, where people are partying and drinking with many beautiful women. It’s a bit like the Berlusconi administrative. Then God shows him Heaven, where people are discussing the Spence distortion, the future of the state of Israel and the philosophy of science. It’s a bit like the Obama administration. Ben-Gurion decides that he has had such a sober life, he deserves to relax a bit in the afterlife. So he chooses Hell and is immediately thrown on to the rack, waterboarded, etc. It’s now more like the Bush administration down there. So Ben-Gurion asks Lucifer, “What gives? I was here 5 minutes ago and it was so much fun.” Lucifer responds, “Well, then you were a tourist.”

VIII. Imperfect competition

A. Oligopoly

1. Technical depth

- a. *Theory of Conjectural Variations* by Charles Figuières, Alain Jean-Marie, Nicolas Quérrou and Mabel Tidball
 - b. *Discrete Choice Theory of Product Differentiation* by Simon P. Anderson et al.
 - c. “Bertrand Competition when Rivals’ Costs are Unknown” by Daniel F. Spulber
 - d. “The Oligopoly Solution Concept is Identified” by Timothy F. Bresnahan
 - e. “Estimating Dynamic Models of Imperfect Competition” by Patrick Bajari, C. Lanier Benkard and Jonathan Levin
 - f. “Quantity Precommitment and Bertrand Competition Yield Cournot Outcomes” by David M. Kreps and José A. Scheinkman
2. Empirical and policy applications
 - a. “Measuring Market Inefficiencies in California’s Restructured Wholesale Electricity Market” by Severin Borenstein, James B. Bushnell and Frank A. Wolak
 - b. “Differentiated Product Demand Systems a Combination of Micro and Macro Data: The New Car Market” by Stephen Berry, James Levinsohn and Ariel Pakes
 - c. “Measuring Market Power in the Ready-to-Eat Cereal Industry” by Aviv Nevo
 - d. “Valuation of New Goods under Perfect and Imperfect Competition” by Jerry A. Hausman
 3. Historical interest
 - a. “Of The Competition of Producers” by A.-Augustin Cournot, Chapter 7 of *Researches into the Mathematical Principles of the Theory of Wealth*
 - b. *The Mathematical Groundwork of Economics* by Arthur L. Bowley
 - c. “Monopoly-Polypoly” by Ragnar Frisch in *International Economic Papers* No. 1
 - d. “Review of Walras’s *Théorie Mathématique de la Richesse Sociale* and Cournot’s *Recherches sur les Principes Mathématiques de la Théorie des Richesses*” by Joseph Bertrand, Chapter 2 of *Cournot Oligopoly: Characterization and Applications* edited by Andrew F. Daugherty
 - e. “The Pure Theory of Monopoly” by Francis Ysidro Edgeworth, Chapter E of *Papers Relating to Political Economy*
 4. Alternative perspectives
 - a. Chapters 5 and 6 of *The Theory of Industrial Organization* by Jean Tirole
 - b. *Sunk Costs and Market Structure* by John Sutton
 - c. “A Theory of Dynamic Competition: Parts I and II” by Eric Maskin and Jean Tirole
 5. Current events: None
 6. Humanistic: None
- IX. Competition Policy
- A. Competition Policy
 1. Technical depth
 - a. “The First-Order Approach to Merger Analysis” by Sonia Jaffe and E. Glen Weyl

- b. “Efficiency of Large Double Auctions” by Martin M. Cripps and Jereon M. Swinkels
 - c. “Incentives and Stability in Large Two-Sided Matching Markets” by Fuhito Kojima and Parag Pathak
 - d. “Strategyproofness and Manipulability in Large Economies” by Eduardo M. Azevedo and Eric Budish
 - e. “Auctions versus Negotiations” by Jeremy I. Bulow and Paul D. Klemperer
 - 2. Empirical and policy applications
 - a. “Mergers and Sunk Costs” by Allan Collard-Wexler
 - b. “Paying a Premium on Your Premium?” by Leemore S. Dafny, Mark Duggan and Subramaniam Ramanarayanan
 - c. “Mergers with Differentiated Products: The Case of the Ready-to-Eat Cereal Industry” by Aviv Nevo
 - d. “Do Markets Differ Much?” by Richard Schmalensee
 - e. “Are Health Insurance Markets Competitive?” by Leemore S. Dafny
 - 3. Historical interest
 - a. “Section 7 of the Clayton Act and the Analysis of ‘Semihorizontal’ Mergers” by Gregory J. Werden
 - b. 1997 revision of 1992 United States Horizontal Merger Guidelines
 - c. United Kingdom Horizontal Merger Guidelines
 - d. “A Robust Test for Consumer Welfare Enhancing Mergers Among Sellers of Differentiated Products” by Gregory J. Werden
 - 4. Alternative perspectives
 - a. “Contestable Markets” by William J. Baumol
 - b. “A Theory of Yardstick Competition” by Andrei Shleifer
 - c. “Economies as an Antitrust Defense” by Oliver E. Williamson
 - d. “Competition and Prices” by Xavier Gabaix, David Laibson, Deyuan Li, Hongyi Li, Sidney Resnick and Casper G. de Vries
 - e. “Does Competition Destroy Ethical Behavior?” by Andrei Shleifer
 - f. “Looking at the Cost Side of ‘Monopoly’” by Karl Aiginger and Michael Pfaffermayr
 - 5. Current events: “America’s Mobile Merger: Tripped at the altar” from *The Economist*, September 3, 2011
 - 6. Humanistic: None
- X. Public Goods
 - A. Public Goods
 - 1. Technical depth
 - a. “The Approximation of Efficient Public Good Mechanisms” by Simple Voting Schemes” by John O. Ledyard and Thomas R. Palfrey
 - b. “Arrow’s Theorem and the Gibbard-Satterthwaite Theorem: A Unified Approach” by Philip J. Reny
 - c. “Pivotal Players and a Characterization of Influence” by Nabil I. Al-Najjar and Ran Smodorinsky
 - d. “Informational Size and Incentive Compatibility” by Richard McLean and Andrew Postelwaite
 - e. “Minorities and Storable Votes” by Alessandra Casella, Thomas Palfrey and Raymond Riezman

2. Empirical and policy applications
 - a. *Governing the Commons* by Elinor Ostrom
 - b. “Valuing public goods: The purchase of moral satisfaction” by Daniel Kahneman and Jack L. Knetsch
 - c. *To Vote or not to Vote?* by André Blais
 - d. “Takeover Bids, the Free-Rider Problem, and the Theory of the Corporation” by Sanford Grossman and Oliver Hart
 - e. “Cooperation in Public-Goods Experiments: Kindness or Confusion” by James Andreoni
 - f. “Securitization and Distressed Loan Renegotiation: Evidence from the Subprime Mortgage Crisis” by Tomasz Piskorski et al.
3. Historical interest
 - a. *Politics* by Aristotle, Book II, Part/Chapter III
 - b. “Wicksell's Social Philosophy and his Unanimity Rule” by Marianne Johnson
 - c. “Just Taxation – A Positive Solution” by Erik Lindahl
 - d. “The Tragedy of the Commons” by Garrett Hardin
 - e. *The Logic of Collective Action* by Mancur Olson
4. Alternative perspectives
 - a. “Charitable Giving” by James Andreoni
 - b. “Public-Good Provision with Many Participants” by Martin F. Hellwig
 - c. “Incorporating Fairness into Game Theory and Economics by Matthew Rabin
 - d. “The Evolution of Eusociality” by Martin A. Nowak, Corina Tarnita and Edward O. Wilson
 - e. “Impure Altruism and Donations to Public Goods” by James Andreoni
5. Current events
 - a. “Intellectual Property: Patently absurd?” from *The Economist*, June 21, 2001
 - b. “Asia.view: Field v. Factory” from *The Economist*, September 17, 2008.
 - c. “Modifying Delinquent Loans: Mortgage mistakes” from *The Economist*, July 9th, 2009.
 - d. “UN Climate Talks: Pretty basic” from *The Economist*, September 3, 2011.
6. Humanistic
 - a. “Network Power” by David Grewal
 - b. *Leviathan* by Thomas Hobbes
 - c. *Lord of the Flies* by William Golding