

Empirical Industrial Organization I: Static models

Session 1: Introduction

Helena Rantakaulio

Contact

Doctoral candidate Helena Rantakaulio

Economics dept. Aalto

helena.rantakaulio@aalto.fi

Office hours: on appointment.

Recap: Problem Sets and Exercises

- ▶ 4 graded problem sets and 5 exercise sessions.
- ▶ Problem sets are published some weeks before the deadline. You'll have more time to work on Problem set 2. All deadlines are 15 minutes before the start of the next exercise session.
 - ▶ First one is out, DL next Thursday 16:00!
- ▶ Points are granted for an honest effort!

Problem Set 1

- ▶ In short: we give you simulated data and ask you run some basic demand models covered in the first 2 lectures.
- ▶ Namely, you estimate logit and nested logit models using market level data.
- ▶ We ask you to consider endogeneity using 2SLS.
- ▶ You calculate some useful statistics such as elasticities and diversion ratios.

Problem Set 2, 3 and 4

- ▶ PS2: BLP
- ▶ PS3: simulating data
- ▶ PS4: merger simulation using pyBLP

Choice of software

- ▶ You can use any software you like! The solutions of Problem set 1 will use R. We will use Python in Problem set 4 as we'll use the pyBLP package.
- ▶ Probably a good idea to simply choose the tools that you the most familiar with. Stata and R work pretty well for these simple models.

Useful references for Problem set 1

Berry, S. T. (1994). Estimating discrete-choice models of product differentiation. *The RAND Journal of Economics*, 242–262