

Industrial Organization I (G31.1801-01) Boyan Jovanovic Fall 2008
8/10/08
Tue 10-12AM room 624
Office: 19 W. 4th St. room 729

Notes and other material will be posted on Blackboard at <http://classes.nyu.edu>. Send me an e-mail (bj2@nyu.edu) and I will enable access for you.

REQUIREMENTS: Closed book midterm and (cumulative) final exam

First class: Sept. 2
Last Class: Dec. 9
Midterm: Oct. 28
Final: Dec. 16

No class on Oct 14 Columbus Day observed

<http://www.nyu.edu/registrar/calendars/academic-calendar.html#fallTerm>

TOPICS & PAPERS

Entrepreneurship

Static models

Lucas, Robert. "On the Size Distribution of Business Firms." *Bell Journal of Economics* 9, No. 2 (Autumn, 1978): 508-523. <http://www.jstor.org/stable/3003596>

Evans, David and Boyan Jovanovic "An Estimated Model of Entrepreneurial Choice under Liquidity Constraints" *Journal of Political Economy* 97, No. 4 (Aug., 1989): 808-827. <http://www.jstor.org/stable/1832192>

Jovanovic, Boyan. "[Firm Formation with Heterogeneous Management and Labor Skills.](#)" *Journal of Small Business Economics* 6, No. 3 (June 1994): 185-91.

Lazear, Edward. "Entrepreneurship." *Journal of Labor Economics*, 23:4 (October 2005): 649. <http://www.jstor.org/stable/3592884>

Dynamic models

Holmes, Tom and James Schmitz. "A Theory of Entrepreneurship and Its Application to the Study of Business Transfers." *Journal of Political Economy* 98, No. 2 (Apr., 1990), pp. 265-294 <http://www.jstor.org/stable/2937666>

Chari, Golosov, Tsyvinski “Business Start-ups, The Lock-in Effect, and Capital Gains Taxation” October 2004

<http://www.ssc.wisc.edu/~manuelli/MRG/ChariGolosovTsyvinski.pdf>

Hopenhayn, Hugo and Galina Vereshchagina “Risk Taking by Entrepreneurs.” October 2006

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=990928

Customer markets and durable relationships

Fishman, Arthur and Rafael Rob. “The Durability of Information, Market Efficiency and the Size of Firms.” *International Economic Review* 36, No. 1 (Feb., 1995), pp. 19-36.

<http://www.jstor.org/stable/2527425>

Phelps, Edmund & Sydney Winter “[Optimal Price Policy under Atomistic Competition.](#)” in E.S. Phelps, *et al.*, *Microeconomic Foundations of Employment and Inflation Theory*, New York: Norton, 1970.

Cabral, Luis “[Small Switching Costs Lead to Lower Prices.](#)” September 2007

Technology choice

Sah, Raj & Joseph Stiglitz “Invariance of market innovation to the number of Firms.” *RAND Journal of Economics* 18, No. 1 (Spring, 1987), pp. 98-108

<http://www.jstor.org/stable/2555537>

Jovanovic and Nyarko “Learning by Doing and the Choice of Technology.” *Econometrica* 64, No. 6 (Nov., 1996), pp. 1299-1310 <http://www.jstor.org/stable/2171832>

Jovanovic, Boyan and Yaw Nyarko. “A Bayesian Learning Model Fitted to a Variety of Empirical Learning Curves.” *Brookings Papers on Economic Activity. Microeconomics* (1995), pp. 247-305 <http://www.jstor.org/stable/2534775>

Industry Life-cycle

Gort & Klepper “Time Paths in the Diffusion of Product Innovations.” *Economic Journal* 92, No. 367 (Sep., 1982), pp. 630-653 <http://www.jstor.org/stable/2232554>

Jovanovic, Boyan & Saul Lach “Entry, Exit, and Diffusion with Learning by Doing.”
American Economic Review 79, No. 4 (Sep., 1989), pp. 690-699.
<http://www.jstor.org/stable/1827926>

Jovanovic, Boyan and Chung-Yi Tse. (2007) “Creative Destruction at the Industry Level”
<http://www.econ.nyu.edu/user/jovanovi/Jovanovic-Tse.pdf>

Rob, Rafael. “Learning and Capacity Expansion under Demand Uncertainty.”
Review of Economic Studies 58, No. 4 (Jun., 1991), pp. 655-675
<http://www.jstor.org/stable/2297826>

Hopenhayn, Hugo. “Entry, Exit, and firm Dynamics in Long Run Equilibrium.”
Econometrica 60, No. 5 (Sep., 1992), pp. 1127-1150 <http://www.jstor.org/stable/2951541>

Jovanovic, Boyan. “Selection and the Evolution of Industry.” *Econometrica* 50, No. 3 (May, 1982), pp. 649-670 <http://www.jstor.org/stable/1912606>

Investment, Storage, speculation

Lucas, Robert & Edward Prescott. “Investment under Uncertainty.” *Econometrica* 39, No. 5 (Sep., 1971), pp. 659-681 <http://www.jstor.org/stable/1909571>

Hotelling, Harold. “The Economics of Exhaustible Resources.” *Journal of Political Economy* 39, No. 2 (Apr., 1931), pp. 137-175 <http://www.jstor.org/stable/1822328>

Deaton, Angus & Guy Laroque “On the Behaviour of Commodity Prices.” *Review of Economic Studies* 59, No. 1 (Jan., 1992), pp. 1-23 <http://www.jstor.org/stable/2297923>

Deaton, Angus & Guy Laroque. “Competitive Storage and Commodity Price Dynamics.”
Journal of Political Economy 104, No. 5 (Oct., 1996), pp. 896-923.
<http://www.jstor.org/stable/2138946>

Jovanovic, Boyan “Bubbles in the Prices of Exhaustible resources.”
<http://www.econ.nyu.edu/user/jovanovi/bubbles4.pdf>

Barbarino, Alessandro & Boyan Jovanovic “Shakeouts and Market Crashes” **International Economic Review** 48, No. 2, pp. 385-420, May 2007
http://www.econ.nyu.edu/user/jovanovi/Shakeouts_ver112005.pdf

Finance topics: Venture capital, IPOs, mergers, asset prices

Static models

Grossman, Sanford and Joseph E. Stiglitz “On the Impossibility of Informationally Efficient Markets.” *American Economic Review*. 70, No. 3 (Jun., 1980), pp. 393-408
<http://www.jstor.org/stable/1805228>

Kremer, Michael “The O-Ring Theory of Economic Development.” *Quarterly Journal of Economics*, Vol. 108, No. 3 (Aug., 1993), pp. 551-575 <http://www.jstor.org/stable/2118400>

Jovanovic & Braguinsky “Bidder Discounts and Target Premia in Takeovers.” *American Economic Review*, Vol. 94, No. 1 (Mar., 2004), pp. 46-56
<http://www.jstor.org/stable/3592768>

Dynamic Models

Prescott, Edward and John Boyd. “Dynamic Coalitions: Engines of Growth.” *American Economic Review* 77, No. 2, Papers and Proceedings (May, 1987), pp. 63-67
<http://www.jstor.org/stable/1805430>

Cozzi, Guido. “Culture as a Bubble.” *Journal of Political Economy* 106, No. 2 (Apr., 1998), pp. 376-394 <http://www.jstor.org/stable/2990772>

Morris, Stephen. “Speculative Investor Behavior and Learning.” *Quarterly Journal of Economics* 111, No. 4 (Nov., 1996), pp. 1111-1133
<http://www.jstor.org/stable/2946709>

Harrison, Michael & David Kreps “Speculative Investor Behavior in a Stock Market with Heterogeneous Expectations.” *Quarterly Journal of Economics* 92, No. 2 (May, 1978), pp. 323-336 <http://www.jstor.org/stable/1884166>

Jovanovic, Boyan & Peter Rousseau “The Q-Theory of Mergers.” *American Economic Review* 92, No. 2, Papers and Proceedings (May, 2002), pp. 198-204
<http://www.jstor.org/stable/3083401>

Jovanovic, Boyan & Peter Rousseau. “Why Wait? A Century of Life Before IPO.” *American Economic Review* 91, No. 2, Papers and Proceedings (May, 2001), pp. 336-341
<http://www.jstor.org/stable/2677784>

Growth of firms

Prescott & Visscher “Organization Capital.” *Journal of Political Economy* 88, No. 3 (Jun., 1980), pp. 446-461. <http://www.jstor.org/stable/1831925>

Albuquerque, Rui and Hugo A. Hopenhayn “Optimal Lending Contracts and Firm Dynamics” *Review of Economic Studies* 71, No. 2 (Apr., 2004): 285-315
<http://www.jstor.org/stable/3700627>

Clementi & Hopenhayn “A Theory of Financing Constraints & Firm Dynamics.” *Quarterly Journal of Economics* 121, Issue 1 (February 2006): 229-65 ...
<http://www.mitpressjournals.org/doi/pdf/10.1162/qjec.2006.121.1.229>

Hopenhayn, Hugo & Ivan Werning. “Equilibrium Default” 2007
<http://econ-www.mit.edu/files/2620>

Product-pricing issues

Prescott, Edward “Efficiency of the Natural Rate” *Journal of Political Economy* 83, No. 6 (Dec., 1975), pp. 1229-1236 <http://www.jstor.org/stable/1830858>

Radner, Roy and Arun Sundararajan. “Dynamic Pricing of Network Goods with Boundedly Rational Consumers” http://papers.ssrn.com/sol3/papers.cfm?abstract_id=888550