

## Empirical Industrial Organization (EIO)

Data + Models + Econometric Methods

→ Answer empirical questions  
about firm behavior in markets

### Structural models of competition

Four key components:

- Demand
- Costs
- Price/Quantity Competition (Conduct)
- Market Entry

### Identification & Estimation

Principle: Revealed Preference

Main challenge: Endogeneity

### Empirical games

Common feature: Multiplicity of equilibria

Implication:

- Need careful assumptions/selection rules for estimation and counterfactuals

### Dealing with Endogeneity

Approaches:

- Randomized Control Trials (RCTs)
- Natural Experiments
- Instrumental Variables (IV)
- Restrictions on structure of unobservables

**Caption:** Empirical Industrial Organization (EIO): data, models, econometric methods, and key structural components.

*Source:* Page 31, Section 1.5, from *Empirical Industrial Organization: Models, Methods, and Applications*, Victor Aguirregabiria (Toronto, June 2021).