

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).