Course Description: This is the second PhD course in industrial organization and policy (IO-1 is a pre-requisite). This course covers antitrust policy and industry regulation (including public ownership). For each topic, we apply and adapt theory and draw on empirical understanding from industrial economics in order to analyze the issues and evaluate public policy. Examples are drawn from the U.S. industry experience together with some international applications.

Readings: There are two textbooks that will be used extensively in this course:

Other readings come from a variety of sources, including:

Copies of other required readings are either available online or will be provided directly to you.

Course Metrics: Grading in the course will be based on the following:

(1) A midterm exam plus a final. The midterm will cover Section A of the syllabus and will be scheduled accordingly. The final will cover the entire course but be weighted toward the material in Section B.

(2) Approximately six homework problem sets will be distributed through the course. Answers will be graded and count toward the course grade.

(3) Approximately four short papers will be assigned. These will cover topics from the course readings and will count toward the course grade.
A. ANTITRUST

1. Overview (.5)  
   *Motta, ch. 1, ch. 2 (pp. 39-48, 55-58)
   Church and Ware, Appendix
   Kwoka, “Commitment to Competition,” RIO, June 1999

2. Coordinated Behavior (2)  
   *Motta, ch. 4 (pp. 137-166, 185-195)
   *Cooper, “Most Favored Customer Clauses and Tacit Collusion,” RJE, Autumn 1986
   *Hay on Ethyl, pp. 190-200, in Kwoka-White, 3/e
   *Harrington, “Detecting Cartels,” ch. 6 in HAE
   Brannman, “Potential Competition and Possible Collusion in Forest Service Timber Auctions,” EI, 1996
   Kwoka, “Price Effects of Bidding Conspiracies,” AB, 1997
   Wang, “Collusive Communication and Pricing Coordination in a Retail Gasoline Market,” RIO, 2008
   Spagnola, ch. 7 on “Leniency,” and Buccirossi, ch. 8 on “Facilitating Practices, in HAE

3. Horizontal Mergers (3)  
   *Whinston, “Antitrust Policy Toward Horizontal Mergers,” ch. 36 in HIO, pp. 2389-2424
   *Motta, ch. 3, ch. 5 (pp. 231-252, 265-277)
   *Dalkir and Warren-Boulton on Staples, ch. 2 in Kwoka-White
   *DeGraba on Arch Coal, ch. 3 in Kwoka-White
   *McAfee and Williams on Oracle, ch. 2 in Kwoka-White
   Werden and Froeb, ch. 2 on “Unilateral Effects,” and Kühn, ch. 3 on “Coordinated Effects,” in HAE
   Shapiro, “Mergers with Differentiated Products,” Antitrust, 1996
   DOJ-FTC, Merger Guidelines (1997); also, Commentary on Merger Guidelines (2006)
   Baker and Shapiro, “Reinvigorating Horizontal Merger Enforcement,” 2007

4. Monopolization by Predation (2)  
   *Motta, ch. 7 (pp. 412-426, 433-435, 442-454)
   *Genesove and Mullin, “Predation and Its Rate of Return: The Sugar Industry,” RJE, 2006
5. Monopolization by Exclusion (2)

* Motta, ch. 6 (pp. 378-391), ch. 7 (pp. 460-483)
* Rubinfeld on Microsoft, in Kwoka-White
* Bigelow-Willig on reverse payments, in Kwoka-White

Roberts on LePage, in Kwoka-White
Rey and Tirole, “Foreclosure,” ch. 33 in HIO

6. Vertical Restraints and RPM (1.5)

* Church-Ware, ch. 22 (pp. 683-696, 704-706)
* Cooper et al, “Vertical Restrictions and Antitrust Policy,” CPI, 2005
  (pdf sent via e-mail)
* Nalebuff on Independent Ink, in Kwoka-White 5/e
* Comanor and Scherer, amicus brief, Leegin v. PSKS

Scherer on Toys R Us, in Kwoka-White 4/e
Motta, ch. 6 (pp. 302-378)
Lynk on Jefferson Parish-Hyde, in Kwoka-White 3/e
Hastings, “Vertical Contracts and Competition in Retail Gasoline Markets,” AER, 2004
Julien and Rey, “Resale Price Maintenance and Collusion,” RJE, 2007
LaFontaine and Slade, “Exclusive Contracts and Vertical Restraints,” ch. 10 in HAE

7. Networks

Motta, ch. 2 (pp. 82-88), ch. 7 (pp. 483-490)
Priest, “Networks and Antitrust Analysis,” and Evans and Schmalensee, “Markets with Two-Sided Platforms,” in ICLP
Pindyck on Vias-Mastercard, in Kwoka-White, 5/e
Mackie-Mason and Metzler on Kodak, in Kwoka-White, 5/e
Katz and Shapiro, “Network Externalities, Competition, and Compatibility,” AER, 1985
B. REGULATION, DEREGULATION, AND PUBLIC OWNERSHIP

1. Overview (1)
   * Church and Ware, ch. 24  
     * Armstrong and Sappington, “Regulation, Competition, and Liberalization,” *JEL*, 2006

2. Price Regulation under Complete and Incomplete Information (3)
   * Church and Ware, ch. 25, ch. 26.1-26.2.3  
     * Armstrong et al, *Regulatory Reform*, ch. 2  

3. Deregulation of Multifirm Industries: Airlines (2)
   * Borenstein and Rose, “How Airline Markets Work—or Do They?” 2007, Sections I, II, IV  
   * Church and Ware, ch. 14 (pp. 507-513)  
   * Kim and Singal, “Mergers and Market Power,” *AER*, 1993  

4. Deregulation of Multiproduct Firms: Telecom (2)
   * Church and Ware, ch. 26.2.4, 26.3, also pp. 800-801  
   * Armstrong-Sappington in *HIO*, pp. 1606-1616  
   * Brenner on the Bell Atlantic-Nynex merger, in Kwoka-White, 4/e  
   * Economides et al, “Quantifying the Benefits of Entry into Local Phone Service,” *RJE*, 2008
5. **Deregulation of Resource Allocation: Spectrum**

Cramton, “Simultaneous Ascending Auctions,” in *Combinatorial Auctions*, Crampton et al., 2006

6. **Restructuring and Residual Regulation: Electricity** (2)

Wolak on the proposed PSEG-Exelon merger, in Kwoka-White
Newbery and Pollitt, “Restructuring and Privatization of Britain’s CEGB–Was It Worth It?” *JIE*, 1997
Borenstein, “The Trouble with Electricity Markets and the California Electricity Restructuring Disaster,” *JEP*, 2002

7. **Public Ownership in Theory and Practice** (2)

Lopez-de-Salines, Shleifer, and Vishny, “Privatization in the United States,” *RJE*, 1997