Course Description: This is the second PhD course in industrial organization, covering antitrust and regulatory policy. The course will provide you with an understanding of the economic foundations of public policies toward markets and businesses, the distinctive issues raised by actual practice, and the methods for designing and evaluating policy. The course will also assist you in identifying researchable issues in competition and regulatory policy.

The course is structured around a series of topics. For each topic, we apply theory and draw on empirical understanding in order to analyze the underlying issues and public policy. Case studies and examples are drawn primarily from U.S. experience.

Prerequisite: Econ 7771, Framework of Industrial Organization

Readings: Two textbooks are used extensively in this course:

Other readings come from a variety of sources, including:

Copies of other required readings either are available online or will be provided directly to you. Required readings are marked with an asterisk (*). Other readings are optional and will be useful for your further research.

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 given on October 21. The final will cover the entire course but be weighted toward the material in Section B.
- (2) Approximately four homework problem sets/exercises throughout the term.
- (3) One research paper to be submitted and also to be presented in class at the end of the term.
- (4) Class preparation and participation.
A. ANTITRUST

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

A.2 Coordinated Behavior (2)
*Motta, ch. 4 (pp. 137-166, 190-195)
*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, pp. 213-232
Brannman, “Potential Competition and Possible Collusion in Forest Service Timber Auctions,” EI, 1996
Inderst and Shaffer, “Market Share Contracts as Facilitating Devices,” RJE, Winter 2010
Connor on the lysine cartel, in Kwoka-White
Kwoka, “Price Effects of Bidding Conspiracies,” AB, 1997
Borenstein on ATP, in Kwoka-White 4/e
Davies et al, “Tacit Collusion, Firm Asymmetries and Numbers,” IJIO, March 2011

A.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, in Kwoka-White
*McAfee and Williams on Oracle, in Kwoka-White
Sweeting, “The Effects of Mergers on Product Positioning,” RJE, Summer 2010

A.4 Monopolization by Predation (2)
*Motta, ch. 7 (pp. 412-426, 433-435, 442-454)
*Burnett on Liggett, in Kwoka-White 3/e
*Bolton, Brodley, and Riordan, “Predatory Pricing, Strategic Theory, and Legal Policy,”
*Edlin and Farrell on American Airlines, in Kwoka-White 4/e
Elzinga and Mills on Spirit, in Kwoka-White
Genesove and Mullin, “Predation and Its Rate of Return: The Sugar Industry,” RJE, 2006
Church and Ware, ch. 21

A.5 Monopolization by Exclusion (2)
*Motta, ch. 6 (pp. 378-391), ch. 7 (pp. 454-473)
*Church and Ware, ch. 20
*Rubinfeld on Microsoft, in Kwoka-White
Kuhn and van Reenen, “Interoperability and Market Foreclosure in the European Microsoft Case,” in Cases in European Competition Policy, B. Lyons, ed.
Rey and Tirole, “Foreclosure,” ch. 33 in HIO
Roberts on LePages, in Kwoka-White
Bigelow-Willig on reverse payments, in Kwoka-White

A.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
*Comanor and Scherer, amicus brief, Leegin v. PSKS
*Nalebuff on Independent Ink, in Kwoka-White
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

A.7 Networks
Motta, ch. 2 (pp. 82-88), ch. 7 (pp. 483-490)
Pindyck on Visa-Mastercard, in Kwoka-White
Mackie-Mason and Metzler on Kodak, in Kwoka-White
Katz and Shapiro, “Network Externalities, Competition, and Compatibility,” AER, 1985
B. REGULATION, DEREGULATION, AND PUBLIC OWNERSHIP

B.1 Overview (1)
- Church and Ware, ch. 24

B.2 Price Regulation: Complete vs. Incomplete Information (3)
- Church and Ware, ch.25, ch. 26.1-26.2.4, pp. 800-1
- Armstrong et al, *Regulatory Reform*, ch. 2
- Armstrong-Sappington in *HIO*, pp. 1606-1616

B.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)
- Cairns and Galbraith, “Artificial Compatibility, Barriers to Entry, and Frequent Flier Programs,” *CJE*, 1990

B.4 Deregulation of Multiproduct Firms: Telecom (2)
- Economides et al, “Quantifying the Benefits of Entry into Local Service,” *RJE*, 2008
- Church and Ware, ch. 26.3, 871-877
*Vogelsang, “Price Regulation of Access to Telecom Networks,” *JEP*, 2003, pp. 830-845
Laffont and Tirole, “Creating Competition through Interconnection,” *JRE*, 1996
Brenner on the Bell Atlantic-Nynex merger, in Kwoka-White, 4/e

**B.5 Deregulation of Resource Allocation: Spectrum**


**B.6 Restructuring and Residual Regulation: Electricity (3)**

Wolak on the proposed PSEG-Exelon merger, in Kwoka-White
Kwoka and Pollitt, *Deregulation, Mergers, and Efficiency: Evidence from the U.S. Electric Power Industry,* *IJIO*, 2010
Borenstein, “The Trouble with Electricity Markets and the California Electricity Restructuring Disaster,” *JEP*, 2002

**B.7 Public Ownership in Theory and Practice**

Vickers and Yarrow, “*Economic Perspectives on Privatization*,” *JEP*, 1991
Lopez-de-Salines, Shelifer, and Vishny, “Privatization in the United States,” *RJE*, 1997