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 policies. 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 19. The final will cover the entire course but be weighted toward the material in Section B.
2. Approximately four homework problem sets/exercises during the term.
3. Two short papers, to be described separately.
4. Class preparation and participation.
A. ANTI TRUST

A.1 Overview (.5)
*Motta, ch. 1, ch. 2 (pp. 39-48, 55-58)

Church and Ware, Appendix

A.2 Coordinated Behavior (2)
*Motta, ch. 4 (pp. 137-166, 185-195)
*Harrington, “Detecting Cartels,” ch. 6 in HAE, pp. 213-232
*Cooper, “Most Favored Customer Clauses and Tacit Collusion,” RJE, Autumn 1986
*Hay on Ethyl, pp. 190-200, in Kwoka-White, 3/e
*Borenstein on ATP, in Kwoka-White 4/e
*Miller, “Did the Airline Tariff Publishing Case Reduce Collusion?” JLE, 2010

Connor on the lysine cartel, in Kwoka-White
Noll on DRAMs, forthcoming
Inderst and Shaffer, “Market Share Contracts as Facilitating Devices,” RJE, Winter 2010
Levenstein and Suslow, “Breaking Up Is Hard to Do,” JLE May 2011
Moorthy and Winter, “Price Matching Guarantees: RJE 2006

A.3 Horizontal Mergers (3)
*Whinston, “Antitrust Policy Toward Horizontal Mergers,” ch. 36 in HIO
*Motta, ch. 3, ch. 5 (pp. 231-252, 265-277)
*Dalkir and Warren-Boulton on Staples, in Kwoka-White

Werden, “Unilateral Competitive Effects of Horizontal Mergers,” in ICLP
Kwoka on Ticketmaster/Live Nation, forthcoming
Haas-Wilson on Evanston Hospital, forthcoming
Klemperer, “Competition Policy in Auctions and Bidding Markets,” in HAE
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,”
Georgetown Law Review, 2000, pp 2239-62
*Edlin, “Predatory Pricing,” in RHEAL
*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. 7 (pp. 454-473)
*Church and Ware, ch. 20
*Rubinfeld on Microsoft, in Kwoka-White
*Baker, “Exclusion as a Core Competition Concern,” 2012
Kuhn and van Reenen, “Interoperability and Market Foreclosure in the European
Microsoft Case,” in Cases in European Competition Policy, B. Lyons, ed.
Kuhn et al, “Economic Theories of Bundling and Their Policy Implications in Abuse
Schwartz and Vincent, “Quantity Forcing and Exclusion,” in ICLP
Spector, “Exclusive Contracts and Demand Foreclosure,” RJE, 2011

A.6 Vertical Restraints and RPM (1.5)
*Church-Ware, ch. 22 (pp. 683-696, 704-706)
*Cooper et al, “Vertical Antitrust Policy as a Problem of Inference,” IJIO, 2005
*Elzinga and Mills on Leegin, forthcoming
*Comanor and Scherer, amicus brief, Leegin v. PSKS
Topper and Yan on Google-ITA, forthcoming
Nalebuff on Independent Ink, in Kwoka-White
Motta, ch. 6 (pp. 302-378)
Hastings, “Vertical Contracts and Competition in Retail Gasoline Markets,” AER, 2004
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
Priest, “Networks and Antitrust Analysis,” in ICLP
Rysman, “The Economics of Two-Sided Markets,” JEP, 2009
Carlton and Frankel, “The Antitrust Economics of Credit Card Networks,” ALJ, 1995
Mackie-Mason and Metzler on Kodak, in Kwoka-White
Katz and Shapiro, “Network Externalities, Competition, and Compatibility,” AER, 1985

A.8 Intellectual Property Rights
Gilbert, “Competition and Innovation,” in ICLP
Bigelow-Willig on reverse payments, in Kwoka-White
Motta, pp. 202-210

B. REGULATION, DEREGULATION, AND PUBLIC OWNERSHIP

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

Clearing House Assn, “Understanding the Economics of Large Banks,” 2011
Scherer, “A Perplexed Economist Confronts ‘Too Big to Fail’,” Kennedy School 2010
Armstrong and Sappington, “Regulation, Competition, and Liberalization,” JEL, 2006
Shelanski, “Antitrust and Regulation,” in RHEAL

B.2 Price Regulation: Complete vs. Incomplete Information (3)
*Church and Ware, ch. 25, ch. 26.1-26.2.4, pp. 800-1
*Hayashi, Sevier, and Trapani, “Pricing Efficiency Under Rate-of-Return Regulation,” SEJ, 1985

Armstrong et al, Regulatory Reform, ch. 2
Armstrong-Sappington in HIO, pp. 1606-1616

B.3 Deregulation of Multifirm Industries: Airlines (2.5)
*Borenstein and Rose, “How Airline Markets Work–or Do They?” 2007, Sections I, II, IV
*Church and Ware, ch. 14 (pp. 507-513)

Isreal et al on Delta-Northwest, forthcoming
Cairns and Galbraith, “Artificial Compatibility, Barriers to Entry, and Frequent Flier Programs,” CJE, 1990
Kim and Singal, “Mergers and Market Power,” AER, 1993

B.4 Deregulation of Multiproduct Firms: Telecom (2.5)
*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
B.5 Deregulation of Resource Allocation: Spectrum and Auctions
Klemperer, “Auction Theory,” ICLP
Hazlett et al, “Radio Spectrum and the Disruptive Clarity of Ronald Coase,” JLE, 2012

B.6 Restructuring and Residual Regulation: Electricity (2.5)

Puller, “Pricing and Firm Conduct in California’s Deregulated Electricity Market,” REStat, 2007
Wolak on the proposed PSEG-Exelon merger, in Kwoka-White
B.7 Public Ownership in Theory and Practice

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