Course Description: This is the second PhD course in industrial organization, covering the application of industrial organization economics to antitrust and regulatory policy. The course will provide you with an understanding of the economic foundations of these policies, the issues raised by their application, and the methods used for evaluating and reforming these policies. 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, but other examples are welcome.

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 (including cases from earlier editions of *The Antitrust Revolution*) either are available online or will be provided. Required readings are marked with an asterisk (*). Other readings are optional and will be useful for your further research and for preparation for taking the comprehensive examination in IO.

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 during the term.
3. Two short papers, to be described separately.
4. Class preparation and participation.
A. ANTITRUST

A.1 Overview (.5)
*Motta, ch. 1, ch. 2 (pp. 39-48, 55-58)
*Kwoka and White, pp. 1-6

Church and Ware, Appendix

A.2 Cartels, Coordination, and Facilitating Practices (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
*Chen and Liu, “The Effect of Most Favored Customer Clauses on Prices,” JIE, 2011

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
Inderst and Shaffer, “Market Share Contracts as Facilitating Devices,” RJE, Winter 2010
Kuhn and Vives, “Information Exchanges Among Firms and Their Impact on Competition,” 1995

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
*Noel, “Upward Price Pressure, Merger Simulation and Merger Simulation Light,” 2011
*Isreal et al on Delta-Northwest, in Kwoka-White

Sweeting, “The Effects of Mergers on Product Positioning,” RJE, 2010
Klemperer, “Competition Policy in Auctions and Bidding Markets,” in HAE
Werden, “Unilateral Competitive Effects of Horizontal Mergers,” in ICLP
Haas-Wilson on Evanston Hospital, in Kwoka-White

A.4 Monopolization by Strategic Pricing (1.5)
*Motta, ch. 7 (pp. 412-426, 433-435, 442-454)
*Tirole, Theory of Industrial Organization, pp. 372-379
*Burnett on Liggett, in Kwoka-White 3/e
*Elzinga and Mills on Spirit, in Kwoka-White

Edlin, “Predatory Pricing,” in RHEAL
Edlin and Farrell on American Airlines, in Kwoka-White 4/e
Genesove and Mullin, Predation and Its Rate of Return: The Sugar Industry, RJE, 2006
Church and Ware, ch. 20-21

A.5 Monopolization by Exclusion (1.5)
*Motta, ch. 7 (pp. 454-473)
*Church and Ware, ch. 14, ch. 22 (704-706)
*Rubinfeld on Microsoft, in Kwoka-White
*Gans on Intel, in Kwoka-White

Marx and Shaffer, “Upfront Payments and Exclusion,” RJE, 2007
Kuhn and van Reenen, “Interoperability and Market Foreclosure in the European Microsoft Case,” in Cases in European Competition Policy, B. Lyons, ed.
Ordover and Shaffer, “Exclusionary Discounts, IJIO, 2013
Choi, “Antitrust Analysis of Tying,” in Recent Developments in Antitrust, Choi, ed.
A.6 Vertical Integration (1.5)

*Riordan, “Competitive Effects of Vertical Integration,” in *HAE*
*Church-Ware, ch. 20, 22 (pp. 683-688)
*Rey and Tirole, “A Primer on Foreclosure,” *HIO*, ch. 33, pp. 2145-2180
*Rogerson on Comcast-NBCU, in Kwoka-White

Topper on Google-ITA, in Kwoka-White
Gil, “Does Vertical Integration Decrease Prices?” 2014
Nalebuff on Independent Ink, in Kwoka-White

A.7 Vertical Restraints (1.5)

*Church and Ware, ch. 22 (pp. 688-693)
*Elzinga and Mills on Leegin, in Kwoka-White
*Comanor and Scherer, amicus brief, *Leegin v. PSKS*

Motta, ch. 6 (pp. 302-378)
LaFontaine and Slade, “[Exclusive Contracts and Vertical Restraints],” ch. 10 in *HAE*

B. REGULATION AND DEREGULATION

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

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)
*Viscusi et al, ch. 17 (pp. 609-639)
*Church and Ware, ch. 14 (pp. 507-513)

Cairns and Galbraith, “Artificial Compatibility, Barriers to Entry, and Frequent Flier Programs,” CJE, 1990
Bilotkach, “Multimarket Contact and Intensity of Competition,” RIO, 2011
Berry and Reiss, “Empirical Models of Entry and Market Structure,” ch. 29 in HIO

B.4 Deregulation of Multiproduct Firms: Telecom (2.5)
*Cave et al, ”Structure, Conduct, and Competition in Telecom,” ch. 1 in Handbook of Telecommunications Economics
*Rosston et al, “Effect of Network Unbundling on Retail Prices,” JLE, 2013
*Church and Ware, ch. 26.3, 871-877
*DeGraba and Rosston, on AT&T/T-Mobile, in Kwoka-White
*Abel, “Entry into Regulated Monopoly Markets: Local Telephony,” JLE, 2002
Economides et al, “Quantifying the Benefits of Entry into Local Service,” *RJE*, 2008

Laffont and Tirole, “Creating Competition through Interconnection,” *JRE*, 1996

Vogelsang, “Price Regulation of Access to Telecom Networks,” *JEP*, 2003, pp. 830-845

Brenner on the Bell Atlantic-Nynex merger, in Kwoka-White, 4/e


**B.5 Restructuring and Residual Regulation: Electricity (2.5)**

*Joskow, “Introduction to Electricity Sector Liberalization,” in *Electricity Market Reforms*, Sioshansi and Pfaffenberger, eds.


*Borenstein, “Time-Varying Retail Electricity Rates,” in *Electricity Deregulation: Choices and Challenges*, Griffin and Puller, eds.


*Wolak on the proposed PSEG-Exelon merger, in Kwoka-White

*Borenstein, “The Trouble with Electricity Markets and the California Electricity Restructuring Disaster,” *JEP*, 2002
