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 economics.

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 key 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:
*Handbook of Antitrust Economics (HAE)* , Buccirossi, ed. (2008)

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 27. 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. COMPETITION AND COMPETITION POLICY

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 Collusion and Coordination (1)
*Motta, ch. 4 (pp. 137-150, 185-195)
*Harrington, “Detecting Cartels,” ch. 6 in HAE, pp. 213-232
*Connor on lysine, in Kwoka-White, pp. 336-347

Kuhn and Vives, “Information Exchanges Among Firms and Their Impact on Competition,” 1995

A.3 Facilitating Practices (1)
*Motta, ch. 4 (pp. 1151-166)
*Church and Ware, pp. 348-355
*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
Ciliberto and Williams, “Does Multimarket Contact Facilitate Tacit Collusion?” RJE, 2014
Inderst and Shaffer, “Market Share Contracts as Facilitating Devices,” RJE, Winter 2010

A.4 Horizontal Mergers in Theory (1.5)
*Motta, ch. 3, ch. 5 (pp. 231-252, 265-277)
*Belleflame and Pietz, Industrial Organization, pp. 373-396
*Waehrer, “A Primer on the Competitive Effects of Mergers in Auction and Bidding
*Noel, “Upward Price Pressure, Merger Simulation and Merger Simulation Light,” 2011
Klemperer, “Competition Policy in Auctions and Bidding Markets,” in HAE

A.5 Horizontal Mergers and Policy (1.5)
Kwoka-White, pp. 13-29.
*Dalkir and Warren-Boulton on Staples, in Kwoka-White
*Kovacic, “Quantitative Analysis of Coordinated Effects,” ALJ, 2009
Shapiro, “The 2010 Horizontal Merger Guidelines,” ALJ, 2010
Sweeting, “The Effects of Mergers on Product Positioning,” RJE, 2010
Haas-Wilson on Evanston Hospital, in Kwoka-White
Kwoka and Gu, “Predicting Merger Outcomes,” JLE, forthcoming
Nevo, “Mergers with Differentiated Products,” RJE, 2000

A.6 Monopolization by Strategic Pricing (1.5)
*Motta, ch. 7 (pp. 412-426, 433-435, 442-454)
*Tirole, Theory of Industrial Organization, ch. 9
*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
Church and Ware, ch. 20-21

A.7 Monopolization by Exclusion (1.5)
*Motta, ch. 7 (pp. 454-473)
*Tirole, pp. 333-335  
*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.8 Vertical Integration (1.5)  
*Riordan, “Competitive Effects of Vertical Integration,” in HAE  
*Church-Ware, ch. 20, 22 (pp. 683-688)  
*Rogerson on Comcast-NBCU, in Kwoka-White 

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

A.9 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  

A.10 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
Katz and Shapiro, “Network Externalities, Competition, and Compatibility,” *AER*, 1985

A.11 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 COMPETITION

B.1 Overview (1)
*Church and Ware, ch. 24 (pp. 747-769)

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 with Complete Information (1.5)
*Church and Ware, ch.25
*Hayashi et al, *Pricing Efficiency Under Rate-of-Return Regulation*, *SEJ*, 1985

Armstrong et al, *Regulatory Reform*, ch. 2

B.3 Price Regulation with Incomplete Information (1)
*Church and Ware, ch. 26.1-26.2.4, pp. 800-1
Armstrong-Sappington in HIO, pp. 1606-1616

B.4  Deregulating Airlines in Theory (1)
*Viscusi et al, ch. 17 (pp. 609-639)
*Church and Ware, ch. 14 (pp. 507-513)

B.5  Deregulated Airlines: The Issues (1.5)
*Isreal et al on Delta-Northwest, in Kwoka-White

Cairns and Galbraith, “Artificial Compatibility, Barriers to Entry, and Frequent Flier Programs,” CJE, 1990
Bilotkach, “Multimarket Contact and Intensity of Competition,” RIO, 2011

B.6  Deregulating Telecom in Theory  (1)
*Economides, “Telecommunications Regulation: An Introduction,” pp. 54-60

B.7  Deregulated Telecom: The Issues (1.5)
*Rosston et al, “Effect of Network Unbundling on Retail Prices,” JLE, 2013
*Church and Ware, ch. 26.3, pp. 871-877
*DeGraba and Rosston, on AT&T/T-Mobile, in Kwoka-White

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

**B.8 Restructuring the Electricity Sector in Theory (1)**
*Joskow, “Restructuring, Competition, and Regulatory Reform in the U.S. Electricity Sector,” *JEP*, 1997

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

**B.9 Restructured Electricity: The Issues (1.5)**
*Borenstein, “Time-Varying Retail Electricity Rates,” in *Electricity Deregulation: Choices and Challenges*, Griffin and Puller, eds.

Pollitt, “The Role of Policy in Energy Transitions,” 2011

**B.10 Spectrum Regulation and Spectrum Auctions**
Klemperer, “Auction Theory,” *ICLP*
Hazlett et al, “Radio Spectrum and the Disruptive Clarity of Ronald Coase,” *JLE*, 2012

B.11 The Public Ownership Alternative
Kwoka, “The Comparative Advantage of Public Ownership,” CJE, 2005
Lopez-de-Salines, Shelifer, and Vishny, “Privatization in the United States,” RJE, 1997