Course Description: This is the second PhD course in industrial organization and policy. It covers antitrust policy and industry regulation/deregulation (including privatization). 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 primarily 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.

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

1. Overview (1)
   *Motta, ch. 1
   Church and Ware, Appendix
   Kwoka, “Commitment to Competition,” RIO, June 1999
   Motta, ch. 2

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
   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, v. 3
   *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
   *Sibley and Williams on Oracle, ch. 2 in Kwoka-White
   Werden and Froeb, ch. 2 on “Unilateral Effects,” and Kuhn, ch. 3 on “Coordinated Effects,” in HAE

4. Monopolization by Predation (1.5)
   *Motta, ch. 7 (pp. 412-426, 433-435, 442-454)
   *Elzinga and Mills on Spirit, in Kwoka-White
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
   Rubinfeld.”3M’s Bundled Rebates: An Economic Perspective,” University of Chicago
   Law Review, 2005
   Kuhn et al, “Economic Theories of Bundling and Their Policy Implications in Abuse
   Rey and Tirole, “Foreclosure,” ch. 33 in HIO

6. Vertical Restraints and RPM (1.0)
   *Church-Ware, ch. 22 (pp. 683-696, 704-706)
   *LaFontaine and Slade, “Exclusive Contracts and Vertical Restraints,” ch. 10 in HAE
   *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

B. REGULATION, DEREGULATION, AND PUBLIC OWNERSHIP

1. Overview (1)
   *Church and Ware, ch. 24
   *Kwoka, “Vertical Integration and Its Alternatives for Achieving Cost Efficiency in
   Electric Power,” IJIO, 2002
   Armstrong and Sappington, “Regulation, Competition, and Liberalization,” JEL, June
   2006

2. Price Regulation under Complete and Incomplete Information (2)
3. Deregulation of Multifirm Industries: Airlines (2)
* Borenstein and Rose, “How Airline Markets Work—or Do They?”. NBER, 2007
* 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. 26.3, also pp. 799-800
* Armstrong-Sappington in HIO, pp. 1606-1640, 1669-1684
* Laffont and Tirole, “Creating Competition through Interconnection,” JRE, 1996
* 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)

*Joskow, “The Difficult Transition to Competitive Electricity Markets in the US,” in Griffin and Puller, Electricity Deregulation: Choices and Challenges, 2005


Newbery and Pollitt, “Restructuring and Privatization of Britain’s CEBG–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 (1.0)

*Kwoka, The Comparative Advantage of Public Ownership, CJE, 2005


Laffont and Tirole, “Privatization and Incentives,” JLEO, 1991

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