Course Description: This course covers the three major public policies toward business, namely, antitrust/competition, regulation, and public/private ownership. For each, we apply theory and empirical understanding from industrial economics in order to analyze the issues and evaluate policy. Examples are drawn primarily from the U.S. together with some international experiences. The course begins with two carryover issues from the Framework—advertising and technological change—and then proceeds through the other topics.

Readings: There are two required textbooks for this course:

- Church and Ware, *Industrial Organization: A Strategic Approach*
- Kwoka and White, *The Antitrust Revolution 4/e*

Readings designated as coming from the third edition of Kwoka and White (“3/e”) are available online at: www.oup.com/us/antitrustrevolution. In addition, several readings are taken from your Martin and Tirole texts used in G771. Copies of all other required readings (marked with a * in the list below) will be made available to you.

Course Metrics: Grading in the course will be based on the following:

1. A midterm exam plus a final. The midterm will take place on February 16 and cover Sections A and B through B.5 of the syllabus. The final will cover the entire course but be weighted toward the remaining material. The midterm counts 30% of your grade and the final 50%.

2. A paper and presentation. Details to follow. This will account for the remaining 20% of your grade.
Guide to readings: The following abbreviations are used throughout this reading list:

AB  Antitrust Bulletin
AER  American Economic Review
ALJ  Antitrust Law Journal
BJE  Bell Journal of Economics
CJE  Canadian Journal of Economics
HIO  Handbook of Industrial Organization
IJIO  International Journal of Industrial Organization
JEL  Journal of Economic Literature
JEMS  Journal of Economic and Management Strategies
JEP  Journal of Economic Perspectives
JIE  Journal of Industrial Economics
JLE  Journal of Law and Economics
JLEO  Journal of Law, Economics and Organization
JPAM  Journal of Policy Analysis and Management
JPE  Journal of Political Economy
JRE  Journal of Regulatory Economics
MDE  Managerial and Decision Economics
QJE  Quarterly Journal of Economics
REStat  Review of Economics and Statistics
RIO  Review of Industrial Organization
RJE  Rand Journal of Economics
SEJ  Southern Economic Journal
READINGS

A. FRAMEWORK TOPICS

1. Advertising (2)
   * Carlton and Perloff, *Modern Industrial Organization*, 4/e, pp. 452-489
   * Thomas, “Incumbent Firms’ Response to Entry,” *IJIO*, 1999
   Sutton, *Sunk Costs and Market Structure*, pp. 2-26
   Hurwicz and Caves, “Persuasion or Information?” *JLE*, 1988

2. Technological Change (2)
   * Pepall, Richards, and Norman, *Industrial Organization*, 4/e, ch. 22
   * Church and Ware, ch. 18.1-18.2
   Gilbert and Newbery, “Preemptive Patenting and the Persistence of Monopoly,” *AER*, 1982
   Adams and Jaffe, “Bounding the Effects of R&D,” *RJE*, 1996
   Cohen and Levin, “Empirical Studies of Innovation and Market Structure,” in *HIO*

B. ANTITRUST

1. Overview (.5)
   * Viscusi, Vernon, and Harrington, ch. 3, pp. 65-72
   * Church and Ware, Appendix
   Facey and Assaf, “Monopolization and Abuse of Dominance in Canada, the United States and
the European Union: A Survey,” ALJ, 2002

2. Coordinated Behavior (1.5)
   * Church and Ware, ch. 10.5-10.7
   * Tirole, ch. 6.0-6.3, 6.5
   * Cooper, “Most Favored Customer Clauses and Tacit Collusion,” RJE, Autumn 1986

Kwoka and White:
   * ch. 9, Borenstein on Airline Tariff Publishing
   * ch. 10, Connor on Lysine

Kwoka and White, 3/e:
   * Hay on Ethyl, pp. 190-200

Salop, “Practices That (Credibly) Facilitate Oligopoly Coordination,” in Stiglitz and Mathewson, New Developments in the Analysis of Market Structure

Christie and Schultz, “Did NASDAQ Market Makers Implicitly Collude?” JEP, 1995

Kwoka, “Price Effects of Bidding Conspiracies,” AB, 1997

3. Horizontal Mergers (2.5)
   * Church and Ware, ch. 23

Kwoka and White:
   * ch. 2, Dalkir and Warren-Boulton on Staples-Office Depot
   * ch. 5, Bulow and Shapiro on BP Amoco-ARCO

Kwoka and White, 3/e:
   * White on Coke-Dr Pepper
   * Sibley and Heyer, “Selected Economic Analysis at the Antitrust Division,” RIO, 2003, pp. 97-103

Kim and Singal, “Mergers and Market Power,” AER, June 1993


4. Monopoly and Predation (1.5)
   * Church and Ware, ch. 21
   * Katz, “Recent Antitrust Enforcement Actions by the US Department of Justice,” RIO, 2003,
5. Monopoly and Exclusion (1.5)
*Church and Ware, ch. 16.4, ch. 20
*Tirole, pp. 333-336
*Reynolds and Ordover, “Archimedean Leveraging and the GE/Honeywell Transaction,” ALJ, 2002
*Katz, RIO, 2003, pp. 380-383
Kwoka and White:
*ch. 19, Rubinfeld on Microsoft
*ch. 16, Nalebuff on GE-Honeywell
Carlton and Waldman, “The Strategic Use of Tying to Preserve and Create Market Power in Evolving Industries,” RJE, Summer 2002
Whinston, “Exclusivity and Tying,” JEP, 2001
Whinston, “Tying, Foreclosure, and Exclusion,” AER 1990

6. Vertical Issues (1.5)
*Church-Ware, ch. 22
Kwoka and White:
*ch. 13, Scherer on Toys R Us
ch.17, MacKie-Mason and Metzler on Kodak
Lynk on Jefferson Parish-Hyde, 3/e
Hastings, “Vertical Contracts and Competition in Retail Gasoline Markets,” AER, 2004
Katz, “Vertical Contractual Relations,” ch. 11 in HIO

7. Intellectual Property
Besen and Raskind, “Introduction to the Law and Economics of IP,” JEP, 1991
Kwoka and White: ch. 14, Shapiro on Intel
C. REGULATION AND DEREGULATION

1. Overview and Assessment (.5)
   * Church and Ware, ch. 24

2. Principles of Price Regulation (2)
   * Church and Ware, ch. 25
   * Hayashi, Sevier, and Trapani, “Pricing Efficiency Under Rate-of-Return Regulation,” SEJ, 1985

3. Deregulation of Multifirm Industries: Airlines (1.5)
   * Morrison and Winston in Peltzman and Winston, Deregulation of Network Industries, pp. 1-40
   * Borenstein, “Hubs and High Fares,” RJE, Autumn 1989
   Borenstein and Netz, “Why Do All the Flights Leave at 8 am?” JIO, 1999
   Peteraf and Reed, “Pricing and Performance in Monopoly Airline Markets,” JLE, 1994

4. Deregulation of Multiproduct Firms: Telecom (2)
   * Church and Ware, ch. 26.1-26.2
   Kwoka and White:
     * ch. 4, Pelcovits on MCI WorldCom and Sprint
   Kwoka and White, 3/e:
     Brenner on Bell Atlantic-Nynex

5. Restructuring and Residual Regulation: Electricity (2)
* Borenstein, “The Trouble with Electricity Markets and the California Electricity Restructuring Disaster,” *JEP*, 2002
Newbery and Pollitt, “Restructuring and Privatization of Britain’s CEGB–Was It Worth It?” *JIE*, 1997

6. Networks and Access Issues (1.5)
* Church and Ware, ch. 26.3
* Kwoka, “Networks and Natural Monopoly,” forthcoming in *Network Access, Regulation, and Antitrust*, D. Moss, ed.
Vogelsang, “Price Regulation of Access to Telecommunications Networks,” *JEL*, 2003
Economides, “The Economics of Networks,” *IIIO*, 1996
Kwoka and White: ch. 18, Faulhaber on AOL-Time Warner
D. PUBLIC ENTERPRISE

1. Theories of Public vs. Private Ownership (1)
   * Sappington and Stiglitz, “Privatization, Information, and Incentives,” JPAM, 1987

2. Evidence on Effects (1.5)
   * Viscusi, Vernon, and Harrington, ch. 14 (pp. 463-472)
   * Lopez-de-Salines, Shelifer, and Vishny, “Privatization in the United States,” RJE, 1997
   * Domberger and Piggott, in Bishop, Kay and Mayer, Privatization and Economic Performance, 1995
   * Peltzman, “Pricing in Public and Private Enterprises,” JLE, 19??
   * Savas, Privatization, ch. 4