BOSTON COLLEGE
Department of Economics

EC854

Industrial Organization

Frank Gollop
McGuinn 519

Fall 2001

Office Hours: Tuesday and Thursday 3:00-4:30

Texts:

Grading:
First Midterm 20%
Second Midterm 25%
Class Presentations 15%
Final Exam 40%

ANTITRUST ECONOMICS

I. Introduction/Antitrust Law Overview Sept 4

II. Monopoly and Dominant Firm Behavior
   - Market Concentration and Barriers to Entry Sept 6
   - Dominant Firm Behavior
     Price Leadership Sept 6-11
     Pricing to Deter Entry Sept 11
     Non-Price Strategies to Deter Entry Sept 13
   - Antitrust Cases Sept 13-20

III. Oligopoly: Interdependence and Non-Cooperative Games Sept 25-27
    - Traditional Marginal Analysis
    - Game Theory Sept 27
    - Antitrust Cases Oct 2

FIRST MIDTERM (45 minutes) Oct 4

IV. Oligopoly: Collusion and Cooperative Games Oct 4-11
   - Methods of Achieving a Collusive Outcome
   - Antitrust Cases Oct 11-16

V. Mergers Oct 18
VI. Price Discrimination Oct 23

VII. Predatory Pricing Oct 23-25

VIII. Vertical Restraints
- Vertical Integration Oct 30
- Tying and Exclusive Dealing Theory Oct 30
- Antitrust Cases Nov 1
- Territorial and Customer Restrictions and RPM Theory Nov 6
- Antitrust Cases Nov 8

SECOND MIDTERM Nov 13

IX. Microsoft (Monopolization/Predatory Pricing/Vertical Practices Nov 15-27

ISSUES IN REGULATORY ECONOMICS

X. Evolution of Rate Regulation Nov 29

XI. Electric Power Dec 4
- Natural Monopoly
- Deregulating Natural Monopoly

XII. Telecommunications Dec 6
I. Introduction/Antitrust Law Overview

Waldman and Jensen, Chapter 18 (pp. 557-62).
Breit and Elzinga, pp. 1-8.
Kwoka and White, pp. 1-5.

II. Monopoly and Dominant Firm Behavior

Market Concentration and Barriers to Entry:
Waldman and Jensen, Chapters 4 (pp. 90-102) and 5 (pp. 126-32, 137-47, and 152-57).
Kwoka and White, pp. 8-12 and Case 1.

Dominant Firm Behavior:
Price Leadership
Waldman and Jensen, Chapter 6 (pp. 167-70 and 177-79) and Chapter 7 (pp. 212-18).

Pricing to Deter Entry:
Waldman and Jensen, Chapter 10 (pp. 278-91).

Non-Price Strategies to Deter Entry:
Waldman and Jensen, Chapter 11 (pp. 318-27 and 334-41).

*Supplementary reading. Recommended but not required.
III. Oligopoly: Interdependence and Non-Cooperative Games

Traditional Marginal Analysis:
Waldman and Jensen, Chapter 7 (pp. 183-212).
Kwoka and White, pp. 12-14.

Game Theory:
Waldman and Jensen, Chapter 6 (pp. 171-77).

Antitrust Cases
Breit and Elzinga, pp. 78-84, 280-82, and 297-304.

IV. Oligopoly: Collusion and Cooperative Games

Methods of Achieving a Collusive Outcome:
Waldman and Jensen, Chapters 8 and 9.
Antitrust Cases:
Waldman and Jensen, Chapters 18 (pp. 569-82).
Breit and Elzinga, pp. 46-59.
Kwoka and White, Cases 7, 8, 11, 12 and 13.
*Breit and Elzinga, pp. 14-45.

V. Mergers

Waldman and Jensen, Chapter 19 (pp. 590-601).
Kwoka and White, pp. 14-22
Breit and Elzinga, pp. 411-36.

Horizontal Mergers:
Breit and Elzinga, pp. 133-49.
Kwoka and White, Cases 5 and 6.

Vertical Mergers:
*Breit and Elzinga, pp. 215-16 and 227-32.

Conglomerate Mergers:

VI. Price Discrimination

Waldman and Jensen, Chapters 14 and 19 (pp. 601-11).
*Breit and Elzinga, pp. 222-26 and 318-54.
VII. Predatory Pricing

Waldman and Jensen, Chapter 10 (pp. 294-301).
Kwoka and White, Cases 9, and 10.

VIII. Vertical Restraints

Vertical Integration:
Waldman and Jensen, Chapter 15.
Kwoka and White, Case 16.

Tying and Exclusive Dealing:

Theory:
Waldman and Jensen, Chapter 19 (pp. 611-17).

Antitrust Cases:
Kwoka and White, Case 14.
*Breit and Elzinga, pp. 233-55.

Territorial and Customer Restrictions and RPM:

Theory:
Waldman and Jensen, Chapter 19 (pp. 617-22).
Stewart, David and Scott Nelson, "Upholding Vertical Restraints, ABA Journal (July 1, 1988), pp. 36-43. [Will be distributed in class.]
Ippolito, Pauline and Thomas Overstreet, “RPM: An Economic Assessment


Antitrust Cases:
Kwoka and White, Case 15.
*Breit and Elzinga, pp. 359-61 and 372-82.

IX. Microsoft Case

Symposia on the Microsoft Case in Economic Perspectives, 15 (Spring 2001).
Klein, Benjamin, “The Microsoft Case: What Can a Dominant Firm Do to Defend Its Market Position?”
Whinston, Michael, “Exclusivity and Tying in U.S. v. Microsoft: What We Know, and Don’t Know.”
Appellate Court Decision: U.S. v. Microsoft (June 2001)
Kwoka and White, Case 17.

ISSUES IN REGULATORY ECONOMICS

X. Evolution of Rate Regulation

Rate-of-Return Regulation:
Waldman and Jensen, (pp. 630-41).

Marginal Cost Pricing (Peak-Load Pricing):
Viscusi, Vernon, and Harrington, Chapter 12, pp. 372-78.

Incentive Regulation:
Price-Cap Regulation

Franchise Bidding
Viscusi, Vernon, and Harrington, Chapter 13.

XI. Electric Power
Natural Monopoly
Viscusi, Vernon, and Harrington, Chapter 11, pp. 330-45

Deregulating Natural Monopoly
Waldman and Jensen, pp. 652-53.
Viscusi, Vernon, and Harrington, Chapter 15, pp. 443-72.
Kwoka and White, Case 4.

XII. Telecommunications
Waldman and Jensen, pp. 648-52.