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


Copies of other required readings will be distributed in class.

Grading: First Midterm 20%
Second Midterm 30%
Final Exam 50%

Module I: Antitrust Economics

I. Introduction/Antitrust Law Overview Sept 2

II. Monopoly and Dominant Firm Behavior Sept 7
   - Market Concentration and Barriers to Entry Sept 7
   - Game Theory Sept 7
   - Traditional Marginal Analysis:
     Price Leadership Sept 9
     Pricing to Deter Entry Sept 9
     Non-Price Strategies to Deter Entry Sept 14
   - Antitrust Cases Sept 14-21

III. Oligopoly: Interdependence and Non-Cooperative Games Sept 23-28
   - Traditional Marginal Analysis Sept 28
   - Game Theory Sept 30
   - Antitrust Cases

FIRST MIDTERM (45 minutes) Oct 5
IV. Oligopoly: Collusion and Cooperative Games  
- Game Theory Oct 5-7  
- Methods of Achieving a Collusive Outcome Oct 12  
- Antitrust Cases Oct 12-19

V. Mergers Oct 21

VI. Price Discrimination Oct 26

VII. Predatory Pricing Oct 26-28

VIII. Vertical Restraints  
- Vertical Integration Nov 2  
- Tying and Exclusive Dealing Theory Nov 2  
  Antitrust Cases Nov 4  
- Territorial and Customer Restrictions and RPM Theory Nov 9  
  Antitrust Cases Nov 11

SECOND MIDTERM

Module II: Regulatory Economics

IX. Introduction/Rate-of-Return Regulation Nov 16

X. Natural Monopoly/Cross Subsidies Nov 18

XI. Peak-Load Pricing/Price Cap Regulation Nov 23

XII. Franchise Bidding Nov 30

XIII. Deregulating Natural Monopoly Dec 2

XIV. Environmental Regulation Dec 7
SYLLABUS

Module I: Antitrust Economics

I. Introduction/Antitrust Law Overview

Waldman and Jensen, Chapter 18 (pp. 465-70).
Breit and Elzinga, pp. 1-8.

II. Monopoly and Dominant Firm Behavior

Market Concentration and Barriers to Entry:
Waldman and Jensen, Chapters 4 (pp. 76-88) and 5 (pp. 98-102, 108-17, and 122-28).

Game Theory:
Waldman and Jensen, Chapter 6 (pp. 135-38 and 144-46).

Traditional Marginal Analysis:
Price Leadership
Waldman and Jensen, Chapter 7 (pp. 169-75).

Pricing to Deter Entry:
Waldman and Jensen, Chapter 10 (pp. 232-42).

Non-Price Strategies to Deter Entry:
Waldman and Jensen, Chapter 11 (pp. 261-67 and 273-80).

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

Traditional Marginal Analysis:
Waldman and Jensen, Chapter 7 (pp. 149-69).

Game Theory:
Waldman and Jensen, Chapter 6 (pp. 139-44).

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

IV. Oligopoly: Collusion and Cooperative Games

Game Theory:
Waldman and Jensen, Chapter 8.

Methods of Achieving a Collusive Outcome:
Waldman and Jensen, Chapter 9.

Antitrust Cases:
Waldman and Jensen, Chapters 19 (pp. 482-96) and 22 (pp. 561-62).
Breit and Elzinga, pp.46-59.
*Breit and Elzinga, pp. 14-45.
V. Mergers

Waldman and Jensen, Chapter 20.
Breit and Elzinga, pp. 411-36.

Horizontal Mergers:
Breit and Elzinga, pp. 133-49.
Kwoka and White, pp. 116-64.

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

Conglomerate Mergers:

VI. Price Discrimination

Waldman and Jensen, Chapters 15 and 21.
*Breit and Elzinga, pp. 222-26 and 318-54.

VII. Predatory Pricing

Waldman and Jensen, Chapter 10 (pp. 245-52).
Kwoka and White, pp. 220-63 and 286-309.


### VIII. Vertical Restraints

#### Vertical Integration:

Waldman and Jensen, Chapter 16.


#### Tying and Exclusive Dealing:

Theory:

Waldman and Jensen, Chapter 22 (pp. 548-54).


Antitrust Cases:

Kwoka and White, pp. 342-63 and 409-29.

*Breit and Elzinga, pp. 233-55.

#### Territorial and Customer Restrictions and RPM:

Theory:

Waldman and Jensen, Chapter 22 (pp. 554-61).

Stewart, David and Scott Nelson, "Upholding Vertical Restraints, *ABA Journal* (July 1, 1988), pp. 36-43. [Will be distributed in class.]


Antitrust Cases:

Kwoka and White, pp. 364-85.

*Breit and Elzinga, pp. 359-61 and 372-82.
Module II: Regulatory Economics

IX. Introduction/Rate-of-Return Regulation

Introduction:

Rate-of-Return Regulation:
Viscusi, Vernon, and Harrington, Chapter 12, pp. 355-69.

X. Natural Monopoly

Subadditivity and Sustainability:
Viscusi, Vernon, and Harrington, Chapter 11, pp. 330-45
Cross Subsidies:
Viscusi, Vernon, and Harrington, Chapter 12, pp. 370-72.

XI. Peak-Load Pricing/Price Cap Regulation

Peak-Load Pricing:
Viscusi, Vernon, and Harrington, Chapter 12, pp. 372-78.
*Costello, Kenneth, "Revenue Caps or Price Caps? Robust Competition Later Means Healthy Choices Now," Public Utilities Fortnightly, 134 (9), (May 1, 1996), pp. 28-34.

Price-Cap Regulation:
XI. Franchise Bidding

Viscusi, Vernon, and Harrington, Chapter 13.


*Williamson, Oliver E., "Franchise Bidding for Natural Monopolies--in General and with respect to CATV," Bell Journal, 7 (Spring 1976), pp. 73-104.


XIII. Deregulating Natural Monopoly

Viscusi, Vernon, and Harrington, Chapter 15, pp. 443-72.


XIV. Environmental Regulation


*Arora, Seema and Timothy Cason, "Why Do Firms Volunteer to Exceed Environmental Regulations?" Land Economics, 72 (4), (November 1996), pp. 413-32.
*Land Economics has numerous articles on benefit measurement techniques including hedonic pricing, averting expenses, and contingent valuation.
*Diamond, Peter and Jerry Hausman, "Contingent Valuation: Is Some Number Better than No Number?" The Journal of Economic Perspectives (Fall 1994), pp. 45-64.