

ECONOMICS 355
CASE STUDIES IN ANTITRUST

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Boston College

Class: Tu, Th 9:00-10:15 a.m.
Office Hours: Tu, Th 8:30-9:00, 10:15-11:15 or by appt

This course examines current issues in antitrust economics and public policy through the lens of seminal antitrust cases. Areas to be covered include oligopoly theory and collusion, market structure and strategic competition, horizontal mergers, vertical mergers and restraints, monopolization and price discrimination. Readings consist of judicial opinions, economic commentaries on the law and these opinions, and selections on fundamental concepts in industrial organization and antitrust law pertinent to the cases.

Prerequisites: Micro Theory, EC201 or EC203.

Texts: The two required textbooks are available in the bookstore and on reserve:

Viscusi, W. Kip, John M. Vernon and Joseph E. Harrington, Jr., Economics of Regulation and Antitrust, 3rd edition (2000), MIT Press

Kwoka, John E., Jr. and Lawrence J. White, The Antitrust Revolution: Economics, Competition and Policy, 3rd edition (1998), Oxford University Press

Readings that are not in the texts will be distributed to you or put on reserve.

Student Case Presentations: Students will work in teams to conduct research and perform an economic analysis of a recent antitrust case. Each team will have one class session to present their case and different team members will argue plaintiff and defense cases. Teams should submit their proposed case for approval before conducting extensive research. Teams will provide a detailed written summary of the case with supporting documents to the class one week before presenting. Before each presentation begins the professor will randomly select two nonpresenting students to serve as discussants after the presentation, with each student granted a one-time right of refusal.

Paper: Each student will prepare a 10-15 page paper that analyzes the case presented by the student's team. You are encouraged to incorporate comments on your presentation and your own research into the paper. Students are expected to follow accepted rules for bibliographies, footnotes and references, and should review the policy on Academic Honesty in the BC Student Guide.

Grading: Midterm exam (40%), student case presentation (15%), paper (35%), class participation (10%). There will be no final exam for the course.

Course Calendar:	Jan 16	First class	Week 1
	Mar 6-8	Spring break	Week 8
	Mar 15	Midterm exam	Week 9
	Apr 3-10	Student case presentations	Week 12-13
	Apr 12	Easter weekend	Week 13
	Apr 17-26	Student case presentations	Week 14-15
	May 1	Last class — Papers due	Week 16

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Course Syllabus	Date	Week
I. Overview of the Course and Antitrust Law Viscusi <i>et al</i> , Ch. 3 & 4, pp. 61-96	Jan 16	1
II. Oligopoly and Collusion (Sherman 1)		
Game Theory, Oligopoly Theory and Collusion: Nash Equilibrium, Cournot, Stackelberg and Bertrand Models Viscusi <i>et al</i> , Ch. 5, pp. 97-125, 137-138	Jan 18	
Facilitating Practices — <u>Ethyl</u> Case Kwoka & White, Case 7, pp. 182-201	Jan 23	2
Price Fixing, Market Sharing and Horizontal Restraints Viscusi <i>et al</i> , Ch. 5, pp. 125-135, 138-142	Jan 25	
Horizontal Restraints — <u>NCAA</u> Case Kwoka & White, Case 8, pp. 202-219	Jan 30	3
Price Fixing and Market Sharing — The <u>Vitamin</u> Cartel Readings to be distributed	Feb 1	
III. Market Structure and Strategic Competition		
Market Definition, Concentration, Entry and Contestability Viscusi <i>et al</i> , Ch. 6, pp. 143-161 Dominant Firm Theory: Limit Pricing Viscusi <i>et al</i> , Ch. 6, pp. 162-170 Strategic Competition: Limit Pricing, Investment in Cost-Reducing Capital, Raising Rivals Costs, Preemption and Brand Proliferation Viscusi <i>et al</i> , Ch. 6, pp. 170-186	Feb 6	4
IV. Horizontal Mergers (Clayton 7)		
Motivation for and Effects of Horizontal Merger Viscusi <i>et al</i> , Ch. 7, pp. 191-205 Market Definition and Efficiency — <u>Brown Shoe</u> Case <i>et al</i> Viscusi <i>et al</i> , Ch. 7, pp. 205-208 Hart-Scott-Rodino Act and Horizontal Merger Guidelines Viscusi <i>et al</i> , Ch. 7, pp. 208-213 and Handout Conglomerate Mergers Viscusi <i>et al</i> , Ch. 7, pp. 213-216	Feb 8	
Market Definition and Unilateral Effects — <u>Staples-Office Depot</u> Case Kwoka & White, Case 6, pp. 143-164 Potential Competition — <u>Bell Atlantic-NYNEX</u> Case Kwoka & White, Case 5, pp. 116-142	Feb 13	5

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<p>Merger Remedies Richard G. Parker and David A. Balto, The Evolving Approach to Merger Remedies, Antitrust Report, May 2000 (Handout)</p>	<p>Feb 15</p>	
<p>Monopsony Power and Divestiture —<u>Aetna-Prudential</u> Merger Readings to be distributed</p>	<p>Feb 20</p>	<p>6</p>
<p>V. Vertical Mergers and Restrictions (Sherman 2 and Clayton 3)</p>		
<p>Motivation for and Effects of Vertical Merger Viscusi <i>et al</i>, Ch. 8, pp. 219-232 Kwoka & White, Part 3, pp. 328-334 Vertical Effects of Horizontal Mergers —<u>Brown Shoe</u> Case Viscusi <i>et al</i>, Ch. 8, p. 233 Vertical Integration and Efficiency — Gasoline Divorcement Regulations Michael G. Vita, Regulatory Restrictions on Vertical Integration and Control: The Competitive Impact of Gasoline Divorcement Policies, 1999 (Handout)</p>	<p>Feb 22</p>	
<p>Vertical Restraints: Resale Price Maintenance, Territorial Restraints, Tying, and Exclusive Dealing Viscusi <i>et al</i>, Ch. 8, pp. 233-253 Kwoka & White, Part 3, pp. 334-336</p>	<p>Feb 27</p>	<p>7</p>
<p>Tying and Exclusive Dealing — <u>Jefferson Parish Hospital</u> Case Kwoka & White, Case 14, pp. 342-363</p>	<p>Mar 1</p>	
<p>SPRING BREAK</p>		<p>8</p>
<p>Resale Price Maintenance — <u>Monsanto</u> Case Kwoka & White, Case 15, pp. 364-385</p>	<p>Mar 13</p>	<p>9</p>
<p>MIDTERM EXAM</p>	<p>Mar 15</p>	
<p>VI. Monopolization and Price Discrimination (Sherman 2 & Robinson-Patman)</p>		
<p>Monopoly Power, Intent to Monopolize Viscusi <i>et al</i>, Ch. 9, pp. 257-263 Monopolization — <u>Standard Oil</u>, <u>US Steel</u>, <u>Alcoa</u>, <u>United Shoe</u>, <u>Kodak</u>, <u>Cereals</u>, and <u>IBM</u> Cases Viscusi <i>et al</i>, Ch. 9, pp. 263-274</p>	<p>Mar 20</p>	<p>10</p>
<p>Monopolization, Bundling & Network Effects — <u>Microsoft</u> Case Viscusi <i>et al</i>, Ch. 9, pp. 274-277 Additional readings to be distributed</p>	<p>Mar 22</p>	
<p>Predatory Pricing and Price Discrimination Viscusi <i>et al</i>, Ch. 9, pp. 277-290 Primary and Secondary Line Price Discrim. — <u>Utah Pie</u> and <u>Morton Salt</u> Viscusi <i>et al</i>, Ch. 9, pp. 290-292</p>	<p>Mar 27</p>	<p>11</p>

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Predatory Pricing — <u>Matsushita</u> Case Kwoka & White, Case 9, pp. 220-238	Mar 29
VII. Student Case Presentations	
STUDENT CASE PRESENTATIONS	Apr 3-10 12-13
EASTER WEEKEND	Apr 12
STUDENT CASE PRESENTATIONS	Apr 17-26 14-15
VIII. The Future of Antitrust Policy — Last Day of Class	May 1 16
PAPERS DUE	May 1