BOSTON COLLEGE
Department of Economics

EC854
Industrial Organization II

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21 Campanella Way, Room 488

Office Hours: Tuesday/Thursday 3:30-4:30 or by appointment

Texts:


Grading:
First Midterm 15%
Second Midterm 20%
Case Study/Class Participation 25%
Final Exam 40%

Case Study:
Consult the abstracts of federal cases found in the Antitrust Trade & Regulation Report published by the Bureau of National Affairs. You can access this online through the BC Library system. Alternatively, hardcopy can be found in the Law School library on the Newton campus (call number KF1606.3.B87x).

Choose a case (approved by me) that you believe is controversial and construct an economic analysis evaluating the economic issues central to the case. Explain why the issues you discuss are necessary components of the analysis, provide your analysis, and offer your opinion (and the basis for your opinion) regarding the merits of the plaintiff’s claim. Just as in a collegiate diving competition, points are awarded for the difficulty (controversial nature) of the case as well as your analysis. Later modules in the course (e.g., vertical restraints) survey fascinating areas in antitrust economics. Be sure to peruse the material in these sections before choosing a topic.

It is expected that the paper will be 8-15 pages in length and is due the date of your class presentation. Class presentations will be on December 7 and 9.
SYLLABUS

I. Introduction/Antitrust Law Overview
   Sept 7

II. Monopoly and Dominant Firm Behavior
    - Market Concentration and Barriers to Entry
    - Dominant Firm Behavior
      Price Leadership
      Pricing to Deter Entry
      Non-Price Strategies to Deter Entry
    Sept 9-14
    - Dominant Firm Behavior
    Sept 9
    - Pricing to Deter Entry
    Sept 14
    - Non-Price Strategies to Deter Entry
    Sept 16
    - Antitrust Cases
    Sept 21-23

III. Oligopoly: Interdependence and Non-Cooperative Games
     - Traditional Marginal Analysis
     - Game Theory
     - Antitrust Cases
     Sept 28
     Sept 30
     Oct 5

FIRST MIDTERM (45 minutes)
   Oct 7

IV. Oligopoly: Collusion and Cooperative Games
    - Methods of Achieving a Collusive Outcome
    Oct 7-12
    - Antitrust Cases
    Oct 14-21

V. Mergers
   Oct 26-Nov 2

VI. Price Discrimination
   Nov 4

VII. Predatory Pricing
    Nov 9-11

SECOND MIDTERM
   Nov 16

VIII. Vertical Restraints
      - Vertical Integration
      Nov 18
      - Tying and Exclusive Dealing
        Theory
        Antitrust Cases
        Nov 18-23
      - Territorial and Customer Restrictions and RPM
        Theory
        Antitrust Cases
        Nov 30-Dec 2

IX. Student Presentations: Case Studies
    Dec 7-9
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.
Hylton and Haizhen Lin, “American and European Monopolization Law: A Doctrinal and Empirical Comparison,” Boston University School of Law Working Paper No. 10-18 (July 2010), [Read to interest but at least pp. 1-8.] [Distributed via email]

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. 10-13.
Merger Guidelines, section 4. [Distributed via email]
Relevant Submarket: eBay Seller Antitrust Litigation. [Distributed via email]

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

*Supplementary reading. Recommended for those planning a career in antitrust economics in either academia or the private sector.
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).
Potter, Michael, Refusal to Supply and Innovation: Past, Present and Future,” (June 2010), especially pp. 36-45. [Distributed via email]

Antitrust Cases:
Waldman and Jensen, Chapters 10 (pp. 291-93) and 18 (pp. 562-69).
Kwoka and White, Cases 10, 20, and 21.
Monopolization v. Monopoly: Allied Orthopedic Appliances, Inc. v. Tyco Health Care Group, L.P. [Distributed via email]
III. Oligopoly: Interdependence and Non-Cooperative Games

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

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 11,12, and (if time) 9.
Hovenkamp, Herbert. “American Needle and the Boundaries of the Firm in Antitrust Law.”
“FTC, Three Other Groups May Pursue Challenge to Legality of Reverse Payments,” (March 2010). [Distributed via email]
*Symposium: The Lysine Cartel. 4 articles in the Review of Industrial Organization, 18 (February 2001), pp. 1-43.*
*Breit and Elzinga, pp. 14-45.*

V. Mergers

Waldman and Jensen, Chapter 19 (pp. 590-601).
Kwoka and White, pp. 15-26.
Breit and Elzinga, pp. 411-36.

Horizontal Mergers:
Breit and Elzinga, pp. 133-49.
Kwoka and White,
Market Definition: Case 7.
Unilateral Effects: Case 2 and (if time) Case 4.
Coordinated Effects: Case 3.
“FTC Initial Decision Would Require Divestiture of Consummated Merger”.
[Distributed via email]

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

Conglomerate Mergers:
Kwoka and White, Case 15.

VI. Price Discrimination

Waldman and Jensen, Chapters 14 and 19 (pp. 601-11).
*Breit and Elzinga, pp. 222-26 and 318-54.
*Edwards, C.D., The Price Discrimination Law. Brookings, 1959, Chapters 19 and 20. (This is a classic book.)
VII. Predatory Pricing
Waldman and Jensen, Chapter 10 (pp. 294-301).
Baumol, William, “Predation and the Logic of the Average Variable Cost Test,”
Kwoka and White, Case 8.
*Lindsey, Robin and Douglas West, “Predatory Pricing in Differentiated
Products Retail Markets,” International Journal of Industrial Organization, 21
*Arenda, P. and Turner, D., "Predatory Pricing and Related Practices Under Section
*Anderson, Rod W. and Ronald N. Johnson, “Antitrust and Sales-Below-Cost
Laws: The Case of Retail Gasoline,” Review of Industrial Organization,
(May 1999), pp. 189-204.
*Ordover, J. and Willig, R., "An Economic Definition of Predation: Pricing
*Burns, M., "Predatory Pricing and the Acquisition Cost of Competitors,”

VIII. Vertical Restraints
Vertical Integration:
Waldman and Jensen, Chapter 15.
Gilbert, Richard, “Exclusive Dealing, Preferential Dealing, and Dynamic
*Rey, Patrick and Jean Tirole, "The Logic of Vertical Restraints," American

Tying and Exclusive Dealing:
Theory:
Waldman and Jensen, Chapter 19 (pp. 611-17).
Kwoka and White, Case 21 (pp. 558-63).
Symposia on the Microsoft Case in Economic Perspectives, 15 (Spring 2001).
Whinston, Michael, “Exclusivity and Tying in U.S. v. Microsoft: What We
Know, and Don’t Know.
*Sass, Tim, “The Competitive Effects of Exclusive Dealing: Evidence from the

Antitrust Cases:
Kwoka and White, Cases 13, 14, and 16.
Wright, Joshua, “An Antitrust Analysis of the FTC’s Complaint Against
INTEL,” (June 2010). [Distributed via email]
Bundling: Masimo Corp. v. Tyco Health Care Group, L.P. [Distributed via email]
*Breit and Elzinga, pp. 233-62.
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.]

Antitrust Cases:
Kwoka and White, Case 17.
Leegin Creative Leather Products, Inc. v. PSKS, Inc. (6/28/07) [Text available on internet]
Value Pest.com of Charlotte Inc. v. Bayer Corp [Distributed via email]
*Breit and Elzinga, pp. 359-61 and 372-82.