

**BOSTON COLLEGE**  
**Department of Economics**

**Economics 353**  
**Industrial Organization - Competition and Antitrust**

Professor Frank Gollop  
Carney 244

Fall 1996

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

Text: Martin, Stephen. Industrial Economics: Economic Analysis and Public Policy.  
(Second edition) New York: MacMillan, 1994.

Readings: Copies of required readings (other than selections from the textbook) are  
available in the Coursepack Booklet available in the B.C. bookstore.

Course Requirements:	Midterm	35%
	Term Paper	15%
	Final	50%

Course Outline

I.	Introduction	Sept 3
II.	Microeconomics: Competition vs. Monopoly	Sept 5-10
III.	Antitrust Policy - Overview	Sept 12
IV.	Monopoly and Dominant Firm Behavior - Theory - Antitrust Cases	Sept 17-19 Sept 24
V.	Oligopoly: Interdependence and Non-Cooperative Games - Oligopolistic Interdependence - Game Theory - Antitrust Cases	Oct 1-8 Oct 10-15 Oct 17
MIDTERM		Oct 22
VI.	Oligopoly: Collusion and Cooperative Games - Agreement/Adherence - Game Theory - Antitrust Cases	Oct 24 Oct 29 Oct 31
VII.	Mergers and Takeovers	Nov 5-7
VIII.	Predatory Pricing	Nov 12-14
IX.	Price Discrimination	Nov 19
X.	Tying and Exclusive Dealing	Nov 21-26
XI.	Vertical Restraints	Dec 3-5
TERM PAPER DUE		Dec 5

## I. Introduction

Martin, chapter 1.

## II. Microeconomics: Competition vs. Monopoly

Martin, chapter 2. (For additional review of microeconomic theory, consult any intermediate micro text chapters on production theory, competitive equilibrium, and monopoly.)

Leibenstein, H., "Allocative Efficiency vs. X-Efficiency," American Economic Review, 56 (June 1966), pp. 392-415.

## III. Antitrust Policy - Overview

Martin, chapters 3 and 18, pp. 539-61.

Mueller, D.C., "Lessons from the United States's Antitrust History," International Journal of Industrial Organization, 14 (June 1996), pp. 415-28 and 435-39.

## IV. Monopoly and Dominant Firm Behavior

Theory:

Martin, chapter 4, pp. 68-94.

Baumol, W., "Contestable Markets: An Uprising in the Theory of Industrial Structure," American Economic Review, 72 (March 1982), pp. 1-15 (pp. 8-14 optional).

Morrison, S. and C. Winston, "Empirical Implications and Tests of the Contestability Hypothesis," Journal of Law and Economics, 30 (April 1987), pp. 53-65.

Antitrust Cases:

Martin, chapter 4, pp. 95-101.

Salop, Steven and David Scheffman, "Raising Rivals' Costs," AEA Papers and Proceedings, 73 (May 1983), pp. 267-71.

Granitz, E. and B. Klein. "Monopolization by 'Raising Rivals' Costs': The Standard Oil Case," Journal of Law and Economics, 39 (April 1996), pp. 1-45.

## V. Oligopoly: Interdependence and Non-Cooperative Games

Oligopolistic Interdependence:

Martin, chapter 5, pp. 110-38.

"Too Many Cereals for the FTC," Business Week, March 20, 1978.

Game Theory:

Davis, M. Game Theory: A Nontechnical Introduction. Chapters 1 and 5, pp. 75-119.

Antitrust Cases:

Martin, chapter 5, pp. 138-41.

## VI. Oligopoly: Collusion and Cooperative Games

### Agreement/Adherence:

Martin, chapter 6, pp. 150-69.

### Game Theory:

Davis, M. Game Theory: A Nontechnical Introduction. (Same as above.)

### Antitrust Cases:

Martin, chapter 6, pp. 169-75.

## VII. Mergers and Takeovers

Martin, chapters 9 (pp. 257-85) and 10 (pp. 293-306; pp. 313-24, and pp. 331-33).

Maloney, M. and R. McCormick, "Excess Capacity, Cyclical Production, and Merger Motives: Some Evidence from the Capital Markets," Journal of Law and Economics, 31 (October 1988), pp. 321-28 and 346-48.

CRA Research Review, "Predicting Challenges to Mergers: It's Still Difficult."

Shleifer, A. and R. Vishny, "Value Maximization and the Acquisition

Process," Journal of Economic Perspectives, 2 (Winter 1988), pp. 7-20.

## VIII. Predatory Pricing

Martin, chapter 16.

Areeda, P. and Turner, D., "Predatory Pricing and Related Practices Under Section 2 of the Sherman Act," Harvard Law Review, 88 (February 1975), pp. 697-733.

\*Baumol, W., "Predation and the Logic of the Average Variable Cost Test," Journal of Law and Economics, 39 (April 1996), pp. 49-72.

\*Ordovery, J. and Willig, R., "An Economic Definition of Predation: Pricing and Product Innovation," Yale Law Journal, 91 (November 1981), pp. 8-53.

\*Burns, M., "Predatory Pricing and the Acquisition Cost of Competitors," Journal of Political Economy, 94 (April 1986), pp. 266-96.

## IX. Price Discrimination

Martin, chapter 15, pp. 417-37.

Perry, Martin, "Forward Integration by Alcoa: 1888-1930," Journal of Industrial Economics, 29 (September 1980), pp. 37-43 and 45-52.

## X. Tying and Exclusive Dealing

Martin, chapter 15, pp. 441-49.

U.S. Steel v. Fortner (to be distributed in class)

Marvel, H., "Exclusive Dealing," Journal of Law and Economics, 25 (April 1982), pp. 1-25.

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\* Supplementary but not required reading.

## XI. Vertical Restraints

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Stewart, David and Scott Nelson, "Upholding Vertical Restraints," ABA Journal (July 1, 1988), pp. 36-43.

Sass, T. and D. Saurman, "Mandated Exclusive Territories and Economic Efficiency: An Empirical Analysis of the Malt-Beverage Industry," Journal of Law and Economics, 36 (April 1993), pp. 153-74.

Ippolito, P. and T. Overstreet, "RPM: An Economic Assessment of the FTC's Case Against the Corning Glass Works," Journal of Law and Economics, 39 (April 1996), pp. 285-301 and 310-322.

\*Ornstein, S. and D. Hanssens, "Resale Price Maintenance: Output Increasing or Restricting? The Case of Distilled Spirits in the U.S.," Journal of Industrial Economics, 36 (September 1987), pp. 1-18.

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