

BOSTON COLLEGE
Department of Economics

EC854
Spring 1997

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Module I
Antitrust Economics

Text: The following text will be used in the first half of the course and is available at the Boston College Bookstore:

Breit, William and Kenneth Elzinga. The Antitrust Casebook (3rd edition).
Chicago: Dryden Press, 1996.

I. Introduction	Jan. 15
II. Horizontal Conspiracy (Price Fixing and Market Division)	Jan. 15-22
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VI. Price Discrimination and Predation	Feb. 21-26
EXAMINATION	Feb. 28

I. Introduction

Breit/Elzinza, pp. 1-8.

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.

*Cutler, D.M. and L.H. Summers, "The Costs of Conflict Resolution and Financial Distress: Evidence from the Texaco-Pennzoil Litigation," Rand Journal, 19 (Summer 1988), pp. 157-72.

II. Horizontal Conspiracy (Price Fixing and Market Division)

Breit/Elzinza, pp. 9-107, 272-76, 280-82, and 297-304.

Kirby, Alison, J., "Trade Associations as Information Exchange Mechanisms," Rand Journal, 19 (Spring 1988), pp. 138-46.

Bernheim, B.D. and M.D. Whinston, "Common Marketing Agency as a Device for Facilitating Collusion," Rand Journal, 16 (Summer 1985), pp. 269-81.

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

Schmalensee, R., "Entry Deterrence in the Ready-to-Eat Breakfast Cereal Industry," Bell Journal, 9 (Autumn, 1978), pp. 305-327.

Stigler, G., "A Theory of Oligopoly," Journal of Political Economy, 72 (February 1964), pp. 44-59.

*Block, M.K., Nold, F.C., and Sidak, J.G., "The Deterrent Effect of Antitrust Enforcement," Journal of Political Economy, 89 (June 1981), pp. 429-45.

*Baumol, W.J., "Contestable Markets: An Uprising in the Theory of Industry Structure," American Economic Review, 72 (March 1982), pp. 1-15.

III. Monopolization

Breit/Elzinza, pp. 109-32, 173-210, 277-79 and 283-91.

Evans, William and Ioannis Kessides, "Localized Market Power in the U.S. Airline Industry," Review of Economics and Statistics, 75 (February 1993), pp. 66-75

Rosenbaum, David and Meng-Hua Ye, "Attempts to Monopolize and the Determination of Specific Intent," Quarterly Review of Economics and Finance, 32 (Spring 1992), pp. 50-70.

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

Granitz, Elizabeth and Benjamin Lkein, "Monopolization by 'Raising Rivals' Costs: The Standard Oil Case," Journal of Law and Economics, 39 (April 1996), pp. 1-47.

Kahai, Simran, David Kaserman, and John Mayo, "Is the 'Dominant Firm' Dominant? An Empirical Analysis of AT&T's Market Power," Journal of Law and Economics, 39 (October 1996), pp. 499-517.

Perry, Martin, "Forward Integration by Alcoa: 1888-1930," Journal of Industrial Economics, 29 (September 1980), pp. 37-53.

Spence, A.M., "Entry, Capacity, Investment, and Oligopolistic Pricing," Bell Journal, 8 (Autumn 1977), pp. 534-44.

Werden Gregory, "Demand Elasticities in Antitrust Analysis," Economic Analysis Group Discussion Paper, U.S. Dept. of Justice (November 1996).

*Masten, Scott and Edward Snyder, "U.S. versus United Shoe Machinery Corporation: On the Merits," Journal of Law and Economics, 36 (April 1993), pp. 33-70.

*Reiffen, David and Andrew Kleit, "Terminal Railroad Revisited: Foreclosure of an Essential Facility or Simple Horizontal Monopoly," Journal of Law and Economics, 33 (October 1990), pp. 419-38.

IV. Mergers

A. Overview

Breit/Elzinza, pp. 411-36.

B. Horizontal Mergers

Breit/Elzinza, pp. 133-71.

Praeger, Robin, "The Effects of Horizontal Mergers on Competition: The Case of the Northern Securities Company, Rand Journal of Economics, 23, (Spring 1992), pp. 123-33.

Gilbert, Richard, "The Role of Potential Competition in Industrial Organization," Journal of Economic Perspectives, 3 (Summer 1989), pp. 107-27.

Lynk, William, "Nonprofit Hospital Mergers and the Exercise of Market Power," Journal of Law and Economics, 38 (October 1995), pp. 437-61.

*"Symposium on Mergers and Antitrust," articles by Salop, White, Fisher, and Schmalensee in The Journal of Economic Perspectives (Fall 1987), pp. 3-54.

C. Vertical Mergers

Breit/Elzinza, pp. 215-16 and 227-32.

Robinson, J., "Administered Pricing and Vertical Integration in the Hospital Industry," Journal of Law and Economics, 39 (April 1996), pp. 357-78.

*Blair, R.D. and Kaserman, D.L., "Vertical Integration, Tying, and Antitrust Policy," American Economic Review, 68 (June 1978), pp. 397-402.

*Allen, B.T., "Vertical Integration and Market Foreclosure," The Case of Cement and Concrete," Journal of Law and Economics (April 1971), pp. 251-274.

*Bork, Robert H., "Vertical Integration and Competitive Processes," Chapter 10 in J. Fred Weston and Sam Peltzman (eds.), Public Policy Toward Mergers, 1969.

*Ohta, H., and Greenhut, M., "Vertical Integration of Successive Oligopolies," American Economic Review, 69 (March 1979), pp. 137-141.

D. Conglomerate Mergers

Matsusaka, John, "Takeover Motives During the Conglomerate Merger Wave," Rand Journal of Economics, 24 (Autumn 1993), pp. 357-79.

*Schumann, Laurence, "State Regulation of Takeovers and Shareholder Wealth: The Case of New York's 1985 Takeover Statutes," Rand Journal, 19 (Winter 1988), pp. 557-67.

*Turner, D.F., "Conglomerate Mergers and Section 7 of the Act," Harvard Law Review (May 1965), pp. 1313-1395.

*Berry, Charles H., "Corporate Diversification and Market Structure," Bell Journal, 5 (Spring 1974), pp. 196-204.

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*Markham, J.W., Conglomerate Enterprise and Public Policy, 1973.

V. Vertical Trade Practices

A. Overview

Breit/Elzinza, pp. 215-22.

Mathewson and Winter, "An Economic Theory of Vertical Restraints," The Rand Journal, 15 (Spring 1984), pp. 27-38.

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

B. Exclusive Dealing and Requirements Contracts

Breit/Elzinza, pp. 233-40

Rey, Patrick and Jean Tirole, "The Logic of Vertical Restraints," American Economic Review, 76 (December 1986), pp. 921-39.

Comanor, W. and H. Frech, "The Competitive Effects of Vertical Agreements?" American Economic Review, 75 (June 1985), pp. 539-46.

Schwartz, M., "Anticompetitive Effects of Exclusive Dealing? What Comanor and Frech Really Show," DOJ Economic Policy Office Discussion Paper (August 1985).

*Brennan, Timothy, "Exclusive Dealing and Conflict of Interest," DOJ Economic Analysis Group Discussion Paper (November 1987).

C. Tying Arrangements

Breit/Elzinza, pp. 241-72.

Pittman, Russel, "Tying Without Exclusive Dealing," DOJ Economic Policy Office Discussion Paper (September 1984).

D. Resale Price Maintenance

Breit/Elzinza, pp. 355-71 and 383-93.

Ippolito, Pauline and Thomas Overstreet, "RPM: An Economic Assessment of the FTC's Case against the Corning Glass Works," Journal of Law and Economics, 39 (April 1996), pp. 285-328.

Mueller, Willard, and Frederick Geithman, "An Empirical Test of the Free Rider and Market Power Hypotheses," Review of Economics and Statistics, 73 (May 1991), pp. 301-08.

Ippolito, Pauline, "Resale Price Maintenance: Empirical Evidence from Litigation," Journal of Law and Economics, 34 (October 1991), pp. 263-94.

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*Ornstein, Stanley and Dominique Hanssens, "Resale Price Maintenance: Output Increasing or Restricting? The Case of Distilled Spirits in the United States," Journal of Industrial Economics, 36 (Sept. 1987), pp. 1-18.

E. Territorial and Customer Restrictions

Breit/Elzinza, pp. 372-82.

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.

VI. Price Discrimination and Predation

Breit/Elzinga, pp. 222-26 and 305-54.

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

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*Edwards, C.D., The Price Discrimination Law. Brookings, 1959, Chapters 19 and 20.