COURSE OUTLINE AND READING LIST

REQUIRED TEXT:


OTHER USEFUL SOURCES:


EVALUATION:

A number of non-graded problem sets will be distributed for the students to try for themselves. The questions on the exam will be closely based on these problems, so I urge you to understand them as fully as possible. Grades will be based on one final exam (70%) which will be a take home exam given out on the final day of classes and due approximately three days later.

The remaining 30% will be assigned through an antitrust consultant project. I would like you to select a current or recent antitrust case, analyse the economic issues that relate to it and develop a model that either supports or defends a side in the case. Here are some recent cases that you might consider:

- Comcast/Time Warner
- ATT/DirectTV
- Burger King/ Tim Horton’s
- Fresh Fields/Wild Oats
- Google/DoubleClick
- Oracle/PeopleSoft merger
- Lepages v. 3M
You may also choose cases from recent news developments. The emphasis is on model building. I want simple theoretical models that support an economic argument. You are responsible for finding any evidence you need to create a case though I am happy to help to extent possible. Given that information on various cases may be limited, I also am willing to allow some selective evidence creation. I will expand on this as the course proceeds (note: consultant creation of evidence is not a generally recognized best practice).

Alternatively, students may choose to write a referee report project. Each student will select a paper from the syllabus (to be selected with my consent). They will read it carefully and write a referee report on the paper as if it were presented to a journal for publication for the first time. The report should be at least three and no more than five pages. A referee report should
i) describe the issue and model addressed in the paper;
ii) explain why the issue is interesting and important;
iii) provide a critique of the weaknesses and strengths of the paper.

The report is to be typed up and submitted to me electronically. In addition, the student will construct a problem set question along with a solution to the problem that is based on the model in the paper.

1. **TOOLS** (Not covered in lectures)

   Tirole: Chapter 11
   Fudenberg and Tirole, in HIO, Chapter 5.
2 MONOPOLY

2.1 Monopoly: Introduction

*Tirole: Chapter 1.
http://faculty.som.yale.edu/barrynalebuff/CompetingAgainstBundles_Incentives2000.pdf

2.2 Monopoly: Price Discrimination

2.2a) General Discussions:
*Tirole: Chapters 2.1, 2.2, 3.
Varian, H., “Price Discrimination”, in HIO.

2.2b) Specific Examples:


### 2.3 Monopoly: Product Choice and Product Differentiation

#### 2.3a) Product Differentiation:

* Tirole: Chapters 2.1, 2.2, 3.


#### 2.3b) Bundling:


Stigler, G. J. “A Note on Block Booking”. In G.J. Stigler (ed.) *The Organization of Industries*. Homewood, Ill.: Irwin.

### 3. Oligopoly

#### 3.1 Classical Oligopoly Theory

* Tirole: Chapter 5

Shapiro, C., “Theories of Oligopoly Behavior”, in *HIO*, Section 2.


Kreps, D., and J. Scheinkman. “Quantity Precommitment and Bertrand Competition


Scherer: Chapters 6-7.


3.2 Oligopoly --Horizontal Mergers


http://faculty.haas.berkeley.edu/shapiro/alternative.pdf


4. DYNAMIC OLIGOPOLY

4.1 Dynamic Oligopoly -- Theory and Framework

*Tirole: Chapters 8,9.


Fudenberg, D., and J. Tirole. “The Fat-cat Effect, the Puppy-dog Ploy, and the Lean and

4.2 Dynamic Oligopoly -- Examples
4.2a) General Applications:
*Tirole: Chapters 8,9

4.2b) Bundling as Entry Deterrence:
(% denotes can be found at http://www.econ.umd.edu/~vincent/foreclosure/)
Mills, David E. “Market Share Discounts”, University of Virginia, mimeo, 2004.%
Nalebuff, Barry. “Bundling as a way to leverage Monopoly”, Yale School of Management, WP #36. 2004.%
Westport Taxi V. Westport Transit District, 664 A.2d (Conn 1995).
4.3 Dynamic Oligopoly -- An Application to Google-Yahoo!


4.4 Dynamic Oligopoly -- Entry, Exit and Predation

4.3a) Theory:


Gilbert, R., “Mobility Barriers and the Value of Incumbency”, in *HIO*.


4.3b) Legal Issues:


5. REPEATED OLIGOPOLY: COLLUSION

*Tirole: Chapter 6.

Shapiro, C., “Theories of Oligopoly Behaviour”, in *HIO*, Section 3.


6. INDUSTRIAL ORGANIZATION IN COMPETITIVE ECONOMIES

*Tirole: Introduction
Scherer. Chapter 1, Chapter 3.
Stigler, G. The Organization of Industry, Irwin, 1968.

7. VERTICAL RESTRAINTS: RAISING RIVAL=S COSTS

8. **RESEARCH AND DEVELOPMENT**


*Tirole: Chapter 10.


9. **NETWORK EFFECTS AND COMPATIBILITY**


10. **ECONOMICS OF TWO-SIDED MARKETS**


11. **PRICE DISCRIMINATION AND IMPERFECT COMPETITION**


