

# Ec 731 - Market Organization and Public Policy

<b>Instructor:</b>	George Georgiadis (gjpg@bu.edu)
<b>Lecture Hours:</b>	Monday and Wednesday, 9:30 - 10:50 (Room 546)
<b>Office Hours:</b>	Monday 13:00-14:00 and Wednesday 14:00 - 15:00 (Room 548)
<b>Course Website:</b>	<a href="http://people.bu.edu/gjpg/Ec731">http://people.bu.edu/gjpg/Ec731</a>
<b>Final Exam:</b>	December 15, 9:00 - 11:00

## Overview

This is the second half of the Ec 731 course (Market Organization and Public Policy) meant to complement the first half taught by Juan Ortner. This part of the course will cover 4 main topics on antitrust economics: (i) monopoly regulation and price-fixing, (ii) horizontal mergers and merger policy, (iii) exclusionary vertical contracts, and (iv) innovation and patent policy.

We will move between lectures (in which I will cover material from various papers), and student presentations, where you will present and discuss a paper. Your grade for this part of the course will be determined by your presentation(s) (25%), class participation (25%), and a final exam (50%).

## Reading List (*subject to change*)<sup>1</sup>

- Lecture Notes.
- Tirole J., (1988), *The Theory of Industrial Organization*, MIT Press.
- Whinston M.D., (2008), *Lectures on Antitrust Economics* (Cairolis Lectures), MIT Press.

## Monopoly Regulation

- Baron D. and Myerson R., (1982), "Regulating a Monopolist with Unknown Costs", *Econometrica*, 50, 911- 930.
- (\*) Laffont J.J. and Tirole J., (1986), "Using Cost Observation to Regulate Firms", *Journal of Political Economy*, 94, 614-641.

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<sup>1</sup>(\*) denote papers that we will cover in greater detail.

## Price Fixing

- Whinston M.D., (2008), *Lectures on Antitrust Economics* (Cairolis Lectures), MIT Press, Chapter 2.
- Compte O., (1998), "Communication in Repeated Games with Imperfect Private Monitoring", *Econometrica*, (66), 597-626.
- (\*) Fershtman C. and Pakes A., (2000), "A Dynamic Game with Collusion and Price Wars", *RAND Journal of Economics*, (31), 207-36.
- Hay G.A. and Kelley D., (1974), "An Empirical Survey of Price-Fixing Conspiracies", *Journal of Law and Economics*, 13-38.
- McAfee P. and McMillan J., (1992), "Bidding Rings", *American Economic Review*, (82), 579-99.
- Porter R.H. and Zona J.D., (1993), "Detection of Bid Rigging in Procurement Auctions", *Journal of Political Economy*, (101), 518-38.
- Porter R.H. and Zona J.D., (1999), "Ohio School Milk Markets: An Analysis of Bidding", *RAND Journal of Economics*, (30), 263-88.
- Sproul M.F., (1993), "Antitrust and Prices", *Journal of Political Economy*, (101), 741-54.

## Horizontal Mergers & Merger Policy

- Whinston M.D., (2008), *Lectures on Antitrust Economics* (Cairolis Lectures), MIT Press, Chapter 3.
- Baker J.B., (1999), "Developments in Antitrust Economics", *Journal of Economic Perspectives*, (13), 181-94.
- Bolton P. and Scharfstein D., (1990), "A Theory of Predation Based on Agency Problems in Financial Contracting", *American Economic Review*, (80), 93-106.
- Coase R.H., (1972), "Durability and Monopoly", *Journal of Law and Economics*, (15), 143-49.
- Compte O., Jenny F., and Rey P., (2002), "Capacity Constraints, Mergers, and Collusion", *European Economic Review*, (46), 1-29.
- (\*) Farrell J. and Shapiro C., (1990), "Horizontal Mergers: An Equilibrium Analysis", *American Economic Review*, (80), 107-126.
- Gowrisankaran G., (1999), "A Dynamic Model of Endogenous Horizontal Mergers", *RAND Journal of Economics*, (30), 56-83.

- Mankiw N.G. and Whinston M.D., (1986), “Free Entry and Social Inefficiency”, *RAND Journal of Economics*, (17), 48-58.
- (\*) Nocke V. and Whinston M.D., (2010), “Dynamic Merger Review”, *Journal of Political Economy*, 118 (6), 1201-1251.
- Nocke V. and Whinston M.D., (2013), “Merger Policy with Merger Choice”, *American Economic Review*, 103 (2), 1006–1033.
- Perry M.K. and Porter R., (1985), “Oligopoly and the Incentive for Horizontal Merger”, *American Economic Review*, (75), 219-27.
- Williamson O.E., (1968), “Economies as an Antitrust Defense: The Welfare Tradeoffs”, *American Economic Review*, (58), 407-26.

### **Exclusionary Vertical Contracts**

- Whinston M.D., (2008), *Lectures on Antitrust Economics* (Cairolis Lectures), MIT Press, Chapter 4.
- Aghion P. and Bolton P. (1987), “Contracts as a Barrier to Entry”, *American Economic Review*, (77), 388- 401.
- (\*) Bernheim B.D. and Whinston M.D.,(1998), “Exclusive Dealing”, *Journal of Political Economy*, (106), 64-103.
- Besanko D. and Perry M., (1993), “Equilibrium Incentives for Exclusive Dealing in a Differentiated Products Oligopoly”, *RAND Journal of Economics*, (24), 646-67.
- Besanko D. and Perry M. (1994), “Exclusive Dealing in a Model of Retail Competition”, *International Journal of Industrial Organization*, (12), 297-329.
- Grossman and Hart O., (1986), “The Costs and Benefits of Ownership: A Theory of Vertical and Lateral Integration”, *Journal of Political Economy*.
- Hart O. and Tirole J., (1990), “Vertical Integration and Market Foreclosure”, *Brookings Papers on Economic Activity, Microeconomics*, 205-286.
- Martimort D., (1996), “Exclusive Dealing, Common Agency, and Multiprincipal Incentive Theory”, *RAND Journal of Economics*, (27), 1-31.
- Marvel H.P., (1982), “Exclusive Dealing”, *Journal of Law and Economics*, (25), 1-25.
- (\*) Rasmussen E.B., Ramseyer J.M. , and Wiley J.S., (1991), “Naked Exclusion”, *American Economic Review*, 1137-45.
- (\*) Segal I. and Whinston M.D., (2000), “Naked Exclusion: Comment”, *American Economic Review*, (90), 296-309.

- (\*) Segal I. and Whinston M.D., (2000), “Exclusive Dealing and Protection of Investments”, *RAND Journal of Economics*, (31), 603-33.
- Segal I. and Whinston M.D., (2003), “Robust Predictions for Bilateral Contracting with Externalities”, *Econometrica*, (71), 757-91.

### **Innovation and Patent Policy**

- Tirole J., (1988), *The Theory of Industrial Organization*, MIT Press, Chapter 10.
- Fudenberg D., Gilbert R., Stiglitz J., and Tirole J., (1983), “Preemption, Leapfrogging, and Competition in Patent Races”, *European Economic Review*, (24), 3-31.
- (\*) Gilbert R. and Shapiro C., (1990), “Optimal Patent Length and Breadth”, *RAND Journal of Economics*, (30), 106-112.
- Grossman G.M. and Shapiro C., (1987), “Dynamic R&D Competition”, *Economic Journal*, (97), 372-87.
- Reinganum J., (1983), “Uncertain Innovation and the Persistence of Monopoly”, *American Economic Review*, (73), 741-748.
- (\*) Segal I. and Whinston M.D., (2007), “Antitrust in Innovative Industries”, *American Economic Review*, 97 (5), 1703-1730.
- Segal I. and Whinston M.D., (2010), “Property Rights”.
- Vickers J., (2010), “Competition Policy and Property Rights”, *Economic Journal*, (120), 375-92.