

14.20 – Spring 2001

### Topics Covered through Exam 1

Use lectures, readings, class discussions, and problem sets to guide your review.

1. Overview and Review:
  - cost concepts, profit-maximization, welfare
- 1B. Antitrust Overview:
  - Case law versus Statutory law
  - Historical background
  - Sherman, Clayton, and FTC Acts
2. Monopoly and Dominant Firms:
  - Monopoly profit-maximization & degree of market power (single- & multi-plant)
  - Dominant firm models (behavior, equilibrium)
  - CATV discussion
3. Game Theory: Intro & Static Models
  - Structure of games
  - Solution and equilibrium concepts (dominant, dominated, rationalizable strategies; Nash equilibrium; backward induction and sub-game perfection)
  - Static one-shot games (Cournot, Bertrand, Bertrand variants, Stackelberg)
4. Game Theory: Repeated Games
  - Bertrand Trigger Strategy Games (model, solution technique, critical  $\delta$  interpretation)
  - Rotemberg-Saloner (time-varying demand) variant
  - Borenstein-Shepard gasoline market study (mark-ups over seasonal cycles)
5. Tacit Collusion & Facilitating Practices
  - GE-Westinghouse Case discussion
  - Reaching agreement for tacit collusion
  - Facilitating maintenance of tacit collusion
  - Enforcing tacit agreements
6. Cartels
  - Definition, determinants of cartel success
  - Behavior (symmetric, asymmetric firms)
  - Facilitating devices
  - OPEC case discussion
7. Market Structure and Performance
  - Performance and structure measures; issues in measurement
  - Endogeneity of market structure (Demsetz critique)
  - Intra-industry studies
    - Reduced-form studies (Borenstein on airlines)
    - Structural models (assumptions, identification): intuition on how to infer price taking rather than market power by firms
8. Horizontal Antitrust Policy (Mergers)
  - Motivations for mergers
  - Trade offs between market power and cost reductions
  - United States merger policy, DOJ/FTC Guidelines
  - Market definition