Description. This is the second of two graduate courses in industrial organization. It will cover regulation and antitrust policy, concentrating on control of natural and artificial monopoly in theory and in practice. Emphasis will be on theoretical developments although an occasional empirical study or case study will illustrate key points.

Instructor. Glenn Woroch, 669 Evans, 642-4308, glenn@econ.berkeley.edu. Office hours: Wednesday, 2:30-4:00 PM.

Textbooks. No textbook is assigned for this course, but several books cover large portions of the material and have been put on reserve:

- Sandy Berg and John Tschirhart, Natural Monopoly Regulation, Cambridge University Press.

Assignments. Students will select a paper, either one of the optional readings or a paper that we agree upon, and present it to the class. Each student will also write a paper of moderate length on a topic related in some manner to the economics of regulation. I will distribute a list of suggested topics shortly. Lastly, there will be a final exam.

READING LIST

* - required, in reader.
+ - recommended for presentation.

1. NATURAL MONOPOLY AND ITS REGULATION

1. Natural Monopoly


2. Efficient Pricing

+ Brock, W., and W.D. Dechert, “Dynamic Ramsey pricing,” William Brock and W. D. Dechert,
3. Reality Check: Alternative Explanations of Regulatory Policy


II. REGULATION IN PRACTICE

1. Rate of Return Regulation


2. Contracting vs. Administration


3. Price Cap and Benchmark Regulation


III. DESIGN OF OPTIMAL REGULATORY MECHANISMS

1. Iterative and Dynamic Mechanisms


2. Agency Approach


IV. DEREGULATION

1. Regulation with Horizontal Competition


2. Regulation with Vertical Competition

VI. ANTITRUST POLICY

1. Predation


2. Merger to Monopoly

* Department of Justice, “The Merger Guidelines.”

3. Exclusion and Foreclosure

