

***Economics 220B***  
***REVISED READING LIST***

\* - required, in reader.

+ - recommended for presentation.

**I. NATURAL MONOPOLY AND ITS REGULATION**

**1. Natural Monopoly & Sustainability**

- \* Panzar, J., "Technological determinants of firm and industry structure," Chapter 1 in Handbook of Industrial Organization, (Vol. 1) North-Holland, 1989.
- \* Faulhaber, G., "Cross-subsidization: pricing in public enterprises," American Economic Review, 1975.
- Baumol, W., "On the proper cost tests for natural monopoly in a multiproduct industry," American Economic Review, December 1977.
- Baumol, W., E. Bailey and R. Willig, "Weak invisible hand theorems on the sustainability of prices in a multiproduct monopoly," American Economic Review, 1977.
- + Evans, D. and J. Heckman, "Multiproduct cost function estimates and natural monopoly tests for the Bell System," in Breaking Up Bell, edited by David Evans, 1983.
- + Roller, L., "Proper quadratic cost functions with application to the Bell System," Review of Economics & Statistics, May 1990.

**2. Efficient & Equitable Pricing**

- \* Baumol, W. and D. Bradford (1970), "Optimal departures from marginal cost pricing," American Economic Review, June.
- \* Willig, R., "Pareto-superior nonlinear outlay schedules," Bell Journal of Economics, 1979.
- Faulhaber, G., and S. Levinson, "Subsidy free prices and anonymous equity," American Economic Review, 1981.
- Braeutigam, R., "Optimal policies for natural monopoly," in Handbook of Industrial Organization, (Vol. 2) 1989.
- + Brock, W., and W.D. Dechert, "Dynamic Ramsey pricing," William Brock and W. D. Dechert, International Economic Review, October 1985.
- + Braeutigam, R., "Optimal pricing with intermodal competition," American Economic Review, 38-49, 1979.
- + Panzar, J., "The Pareto domination of usage-sensitive pricing," in Proceedings of the 6th Telecommunications Policy Research Conference, H. Dordick (ed.) 1979.

**3. Reality Check: Alternative Explanations of Regulatory Policy**

- \* Stigler, G., "The Theory of Economic Regulation," The Bell Journal of Economics, 1971.
- \* Joskow, P., "Pricing decision of regulated firms: a behavioral approach," Bell Journal of Economics, 1973.
- \* Peltzman, S., "Towards a more general theory of regulation," Journal of Law & Economics.
- Peltzman, S., "The economic theory of regulation after a decade of deregulation," Brookings Papers: Microeconomics, 1989.
- Noll, R., "Economic perspectives on the politics of regulation," in Handbook of I.O., (Vol. 2) 1989.
- Posner, R., "Taxation by regulation," Bell Journal of Economics, 1971.

- + Winston, C., "Economic deregulation: days of reckoning for microeconomists," Journal of Economic Literature, September 1993.

## **II. REGULATION IN PRACTICE**

### **1. Rate of Return Regulation**

- \* Baumol, W. and A. Klevorick, "Input choices and rate of return regulation: an over of the discussion," Bell Journal of Economics, 1970.
- \* Spence, A.M., "Monopoly, quality and regulation," Bell Journal of Economics, Autumn 1975.
- \* Averch, H. and L. Johnson, "Behavior of the firm under regulatory constraint," American Economic Review, December, 1962.
- + Petersen, C., "An empirical test of regulatory effects," Bell Journal of Economics, Spring 1975.
- + Bailey, E., "Regulation and innovation," Journal of Public Economics, December 1974.

### **2. Contracting vs. Administration**

- \* Demsetz, H., "Why regulate utilities?" Journal of Law & Economics, 1968.
- \* Goldberg, V., "Regulation and administered contracts," Bell Journal of Economics, 1976.
- \* Williamson, O., "Franchise bidding for natural monopoly: in general and with respect to CATV, Bell Journal of Economics, 1976."
- + Zupan, M. "The efficacy of franchise bidding schemes in the case of cable TV: Some systematic evidence," Journal of Law and Economics, October 1989.

### **3. Price Cap and Benchmark Regulation**

- \* Brennan, T., "Regulation by capping prices," Journal of Regulatory Economics, 1989.
- \* Brauetigam, R., and J. Panzer, "Effects of the change from rate of return to price cap regulation," American Economic Review, 1993.
- \* Shleiffer, A. "A theory of yardstick competition," Rand Journal of Economics, 1985.
- \* Vogelsang, I., "Price cap regulation of telecommunications services: a long-run approach," in Competition and Regulation of Public Utilities, M. Crew (ed.) 1991.
- + Cabral, L. And M. Riordan, "Incentives for cost reduction under price cap regulation," Journal of Regulatory Economics, 1989.
- + Sappington, D., and D. Sibley, "Strategic nonlinear pricing under price-cap regulation," Rand Journal of Economics, Spring 1992.
- + Armstrong, M., S, Cowan and J. Vickers, "Nonlinear pricing and price cap regulation," Journal of Public Economics, September 1995.

## **III. DESIGN OF OPTIMAL REGULATORY MECHANISMS**

### **1. Iterative and Dynamic Mechanisms**

- \* Vogelsang, I. and J. Finsinger, "A regulatory adjustment process for optimal pricing by multiproduct monopoly firms, Bell Journal of Economics, 1979.
- \* Sappington, D., "Strategic firm behavior under a dynamic regulatory adjustment process," Bell Journal of Economics, Spring, 1980.

- Salant, D., and G. Woroch, "Trigger price regulation," Rand Journal of Economics, Spring 1992.
- + Gilbert, R., and D. Newbery, "The dynamic efficiency of regulatory constitutions," Rand Journal of Economics, Winter 1994.
  - + Blackmon, G., and R. Zeckhauser, "Fragile commitments and the regulatory process," Yale Journal on Regulation, 9:1, Winter, 1992.
  - + Logan, J., R. Masson and R. Reynolds, "Efficient regulation with little information: reality in the limit?" International Economic Review, 30:4 November 1989.

## 2. Agency Approach

- \* Loeb, M., and W. Magat, "A decentralized method for utility regulation," Journal of Law & Economics, 1979.
- \* Baron, D., and R. Myerson, "Regulating a monopolist with unknown costs," Econometrica, July 1982.
- \* Laffont, J.-J., "The new economics of regulation ten years after," Econometrica, 1994.
- Laffont, J.-J., and J. Tirole, "Using cost observation to regulate firms," Journal of Political Economy, 1986.
- Baron, D., "Design of regulatory mechanisms and institutions," in Handbook of Industrial Organization, (Vol. 2), 1989.
- + Lewis, T., and D. Sappington, "Regulating a monopolist with unknown demand," American Economic Review, December 1988.
- + Wolak, F., "An econometric analysis of the asymmetric information regulator-utility interaction," Annales d'Economie et de Statistique, 34, 1994, 11-69.

## IV. DEREGULATION

### 1. Regulation with Horizontal Competition

- \* Laffont, J.-J. and J. Tirole, "Optimal bypass and creamskimming," American Economic Review, 1990.
- + Auriole, E., and J.-J. Laffont, "Regulation by duopoly," Journal of Economic Management and Strategy, 1993.
- + Riordan, M., "Regulation and preemptive technology adoption," Rand Journal, Autumn 1992.
- Biglaiser, G., and A. Ma, "Regulating a dominant firm: unknown demand and industry structure." Rand Journal of Economics, Spring 1995.
- + MacAvoy, P., D. Spulber and B. Stangle, "Is competitive entry free? Bypass and partial deregulation in natural gas markets," Yale Journal on Regulation, 6:2, Summer 1989.

### 2. Regulation with Vertical Relationships

- \* Panzar, J., "Sustainability, efficiency and vertical integration," in Regulated Industries and Public Enterprise, edited by Paul Kelindorfer and Bridger Mitchell, 1979.
- Vickers, J., "Competition and regulation in vertically-related markets," Review of Economic Studies, January 1995.
- Baumol, W. "Some Subtle Pricing Issues in Railroad Regulation," International Journal of Transport Economics, August 1983.
- + Gilbert, R., and M. Riordan, "Regulating complementary products: a problem of institutional choice," Rand Journal of Economics, 1995.
- + Laffont, J.-J. and J. Tirole, "Access pricing and interconnection," European Economic Review, 1994.

## VI. ANTITRUST POLICY

### 1. Predation

- \* Ordover, J., and G. Saloner, "Predation, monopolization and antitrust," chapter 9 in Handbook of Industrial Organization, (Vol.2) 1989.
- McGee, J., "Predatory Price Cutting: The Standard Oil (N.J.) Case," Journal of Law and Economics, 1958, 137-169.
- Milgrom, P., and J. Roberts, "Limit pricing and entry under incomplete information: an equilibrium analysis," Econometrica, 1982.
- Ordover, J., and R. Willig, "An economic definition of predation: pricing and product innovation," Yale Law Journal, 1981.
- + Elzinga, K., "Collusive predation: Matshushita v. Zenith," in The Antitrust Revolution, edited by J. Kwoka and L. White, 1989.

### 2. Merger to Monopoly

- \* Department of Justice, "The Merger Guidelines."
- \* Farrell, J., and C. Shapiro, "Horizontal mergers: an equilibrium approach," American Economic Review, 1990.
- + Baker, J., and T. Bresnahan, "The Gains from Merger or Collusion in Product Differentiated Industries," Journal of Industrial Economics., 33:4, 1985.

### 3. Exclusion and Foreclosure

- \* Krattenmaker, T., and S. Salop, "Anticompetitive exclusion: raising rivals' costs to achieve power over price," Yale Law Journal, 1986.
- \* Ordover, J., G. Saloner, and S. Salop, "Equilibrium Vertical Foreclosure," American Economic Review, 1990.
- Ordover, J., A. O. Sykes and R. Willig, "Nonprice Anticompetitive Behavior by Dominant Firms toward the Producers of Complementary Products," in Antitrust Regulation: Essays in Memory of John J. McGowan, Franklin Fisher (ed.), 1985.
- Whinston, M., "Tying, Foreclosure, and Exclusion," American Economic Review, 1990.
- + Salinger, M., "Vertical mergers and market foreclosure," Quarterly Journal of Economics, 1988.
- + Economides, N., and G. Woroch, "Interconnection and foreclosure of network competition," draft, 1995.