

Program

Bruce Lyons

A- Introduction

1. Private effects of mergers
2. Welfare and merger control (including “substantive tests” and welfare standards)

B- Horizontal mergers

1. Unilateral effects - Homogeneous Products
2. Unilateral effects- Differentiated products
3. Coordinated effects (tacit collusion)
4. Buyer Power
5. Appraisal of competition effects - structural indicators (including market shares and concentration)
6. Appraisal of competition effects - upward pricing pressure (UPP)

C- Non-horizontal mergers

1. Vertical effects
2. Conglomerate effects (portfolio effects)

D- Policy Implementation

1. Merger remedies
2. Policy evaluation

Program

Lars Nesheim and Howard Smith

1. Introduction to methods; Measuring Market Power

- a. Overview of the alternative econometric approaches to in competition analysis: structural, reduced form, and quasi-experimental methods.
- b. Measuring market power and conduct: identification issues in price-market structure analysis
- c. Measuring market power and conduct directly: estimating conduct parameters using demand and cost data

2. Market Structure and Prices

- a. Reduced form and quasi experimental methods in merger analysis. Difference in difference methods.
- b. Applications: Staples-HomeDepot and related cases

- c. Applications: Justine Hastings quasi experimental methods of measuring the effect of mergers in the gasoline market

3. Demand Estimation with Differentiated Products

- a. Why estimate demand?
- b. Demand estimation: the problem of endogenous prices
- c. The dimensionality problem with many products
- d. Flexible functional forms for demand
- e. Continuous choice models (Hausman-Zona's two step budgeting model; Margaret Slade's product characteristics approach)
- f. Discrete choice methods (BLP and related literature). The logit and mixed-logit demand model and its estimation.
- g. Review of methods

4. Merger Simulation

- a. Equilibrium assumptions; marginal cost data
- b. Computation of unilateral effects from merger
- c. Evaluation of recent applications

5. Market definition; alternatives to market definition

- a. Elasticity methods
- b. Price correlation methods
- c. Using shipment data to estimate market definition
- d. Revenue methods (as used in the UK supermarkets case)
- e. Alternatives to market definition: the Upward Pricing Pressure Approach (Farrell and Shapiro) and Critical Loss analysis

Selected Readings

- Peter Davis and Eliana Garcés *Quantitative Techniques for Competition and Antitrust Analysis* Princeton University Press 2010;
- Michael Whinston *Lectures in Antitrust Economics* MIT Press (Chapter 3);
- Daniel Rubinfeld (2010) *Econometric Issues in Antitrust Analysis* Journal of Institutional and Theoretical Economics 166: 62-77