

**ECON 350: Monopoly, Competition and Public Policy**  
**Winter 2024**  
**Northwestern University**

Professor Asher Wolinsky  
KGH 3461, 847-491-4415  
Office Hour: By appt.

**COURSE DESCRIPTION:** The course discusses issues in the organization of markets and industries with emphasis on their public policy implications. Among the topics: regulation of monopolies, monopolistic price discrimination, imperfectly competitive practices and collusion, horizontal and vertical integration, Research and Development.

**PREREQUISITES:** Econ 310.

**TEXT:** Economics of regulation and Antitrust by K. Viscusi, J. Vernon and J. Harrington (MIT Press, 4th edition);

**NOTE:** Not most recent edition; can buy on Amazon cheaply.

**FORMAT:** The lectures will focus on the theory (as opposed to institutional detail or review of legal cases). The textbook contains all or most of the theory that will be discussed, but our discussion will NOT follow the text closely. The textbook will mainly be useful for reading about institutional details and actual legal cases (which will not be discussed at length in the lectures).

**GRADE:** The grade will be based on a midterm (30%) and a cumulative final (70%). The midterm score will count only if it improves the total. Otherwise, the whole weight will be shifted to the final. In addition, people who excel in the in-class discussions will get up to 15% bonus as insurance against bad luck on an exam.

**HOMEWORK:** Problem sets will be assigned almost on a weekly basis. They will not be submitted and just serve to test your own understanding and to prepare for the exams.

**MIDTERM:** Monday 2/5/2024

**FINAL:** Either in-class on Tuesday, March 12<sup>th</sup>, 9:00-11:00 OR a take-home at the end of the course. The final determination of the format will be made later in the course.

## **COURSE OUTLINE AND READINGS:**

### **0. GENERAL INTRODUCTION**

VVH Chapters 1-3.

### **I. REVIEW OF BASIC CONCEPTS: COST, COMPETITION, MONOPOLY, WELFARE.**

VVH Chapter 4, pp.79-92, as well as any intermediate microeconomics text.

### **II. REGULATING MONOPOLIES**

#### **A. THEORY OF NATURAL MONOPOLY**

VVH Chapter 11, 400-408.

#### **B. METHODS OF REGULATION**

VVH Chapter 11, 408-426; Chapters 12, 13.

### **III. PRICE DISCRIMINATION.**

VVH Chapter 9.

### **IV. REGULATING COMPETITION**

#### **A. BASIC OLIGOPOLY THEORY**

VVH Chapter 5, 101-116.

#### **B. COLLUSION**

VVH Chapter 5, 116-153.

#### **C. HORIZONTAL MERGERS**

VVH Chapter 7.

#### **D. ENTRY AND DETERRENCE**

VVH Chapter 6, 168-198..

### **V. VERTICAL INTEGRATION AND RESTRICTIONS**

VVH Chapter 8.

### **VI. RESEARCH AND DEVELOPMENT**

VVH Chapter 24; Chapter 4, 93-99.

### **VII. ENTRY DETERRENCE**

VVH Chapter 6.