

Spring 2008

**INDUSTRIAL ORGANIZATION II: 14.272**

Lecture: M,W 9 -10:30 a.m., E52-398

Recitation (and some lectures): F 9-10:30 a.m., E52-398

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Office hours: E52-280B, Wed 2:30 – 4 p.m. and by appt.

Office Hours by appt

<http://stellar.mit.edu/S/course/14/sp08/14.272/>

14.272 continues from 14.271, which addressed firm decision-making and behavior in imperfectly competitive environments. 14.272 analyzes the theoretical and empirical research on government policy intervention intended to address imperfect competition. We begin with competition policy, which generally applies economy-wide, consider the theory of optimal economic regulation, and assess empirical evidence on regulation, deregulation, and privatization policies. The course is designed to prepare doctoral students to design and execute their own original research projects in this field, by exposing them to a range of central research questions and methodologies. Students intending to pursue empirical research in industrial organization are strongly encouraged to also take 14.273, which provides more focused analysis of a set of econometric methodologies used in this field.

The following books will be on reserve in Dewey. You should have acquired Tirole for 14.271. The Laffont & Tirole books and Whinston's *Lectures on Antitrust Economics* are available at the [MIT Press Bookstore](#) on Main Street (not the Coop). The 1993 Laffont and Tirole *Theory of Incentives* and 2006 Whinston *Lectures on Antitrust* (now in paperback) are especially recommended for purchase; ask for an MIT student discount.

J. Tirole, *The Theory of Industrial Organization*, Cambridge: MIT Press, 1988. (Tirole).

J.-J. Laffont & J. Tirole, *A Theory of Incentives in Regulation and Procurement*, Cambridge: MIT Press, 1993. (J.-J. Laffont & Tirole)

J.-J. Laffont & J. Tirole, *Competition in Telecommunications*, Cambridge: MIT Press, 2000. (J.-J. Laffont & Tirole 2000)

M. Whinston, *Lectures on Antitrust Economics*, Cambridge: MIT Press, 2006. (Whinston, *Lectures on Antitrust Economics*).

In the list that follows, starred items are required reading. The list's length reflects an attempt to provide a useful bibliography for further study and research.

**Readings access:** Most required readings can be downloaded from links embedded in the online reading list and accessible through MIT's library VERA system using a computer connected to the MIT system. For more information, see the MIT library's VERA website: [<LINK>](#)

Grading in this course will be based on in-class mid-semester (April 2) and final (May 14) examinations and on short reports on assigned papers throughout the term. Several problem sets will be distributed during the term, but these will not directly affect grades.

## 1. COMPETITION POLICY/ANTITRUST: OVERVIEW

L. Kaplow and C. Shapiro, "Antitrust," NBER Working Paper 12867, January 2007.

- \* R. Crandall and Clifford Winston, "Does Antitrust Policy Improve Consumer Welfare? Assessing the Evidence," *Journal of Economic Perspectives*, 17 (Fall 2003): 3-26 [<LINK>](#)
- \* J. Baker, "The Case for Antitrust Enforcement," *Journal of Economic Perspectives*, 17 (Fall 2003): 27-50. [<LINK>](#)

M. Motta, *Competition Policy: Theory and Practice*, Cambridge: Cambridge University Press, 2004.

K. N. Hylton and F. Deng, "Antitrust Around the World: An Empirical Analysis of the Scope of Competition Laws and Their Effects," Boston University School of Law Working Paper 06-47, November 2006 (published in *Antitrust Law Journal* 74(2, 2007): 271-342).

## 2. COMPETITION POLICY: HORIZONTAL MERGERS AND MONOPOLIZATION

### A. Modeling Mergers: Theory and Policy

- \* M Whinston, *Lectures on Antitrust Economics*, chapter 3.

J. Farrell & C. Shapiro, "Horizontal Mergers: An Equilibrium Analysis," *American Economic Review*, 80(March 1990): 107-126. [<LINK>](#)

R.D. Willig, "Merger Analysis, Industrial Organization Theory, and Merger Guidelines," *Brookings Papers on Economic Activity: Microeconomics*, 1991, pp. 281-332. [<LINK>](#)

M. Pesendorfer, "Mergers Under Entry", *Rand Journal of Economics*, Vol 36, No. 3, Autumn 2005, pp. 661-679 [<LINK>](#)

US Department of Justice, *Horizontal Merger Guidelines* (revised 1997). [<LINK>](#)  
See also Federal Trade Commission and US Department of Justice, *Commentary on the Horizontal Merger Guidelines*, 2006. [<LINK>](#)

Antitrust Modernization Commission, "Economists Roundtable on Merger Enforcement," Hearing at the Federal Trade Commission, January 19, 2006.

[http://www.amc.gov/commission\\_hearings/pdf/060119\\_Economists\\_Roundtable\\_Transcript\\_reform.pdf](http://www.amc.gov/commission_hearings/pdf/060119_Economists_Roundtable_Transcript_reform.pdf)

J.B. Baker, Market Definition, December 2005, Mimeo.

J.B. Baker, "Empirical Methods in Antitrust Litigation: Review and Critique," *American Law and Economics Review*, 1999, 386-485.

J. B. Baker and C. Shapiro, "Reinvigorating Horizontal Merger Enforcement," Mimeo, June 2007. <http://ssrn.com/abstract=991588>

**B. Ex Ante Estimates of Merger Effects****Event Studies**

G.L. Mullin, J.C. Mullin, and W.P. Mullin, "The Competitive Effects of Mergers: Stock Market Evidence from the U.S. Steel Dissolution Suit," *Rand Journal of Economics*, 26 (Summer 1995): 314-330. [<LINK>](#)

R. McAfee & M. Williams, "Can Event Studies Detect Anticompetitive Mergers?" *Economic Letters*, (1988): 199-203.

S. Ellison & W. P. Mullin, "Gradual Incorporation of Information: Pharmaceutical Stocks and the Evolution of President Clinton's Health Care Reform," *Journal of Law and Economics*, XLIV (April 2001): 89-160. [<LINK>](#)

**Demand Estimation and Merger Simulation**

- \* J. Hausman and G. Leonard, "The Competitive Effects of a New Product Introduction," *The Journal of Industrial Economics*, 50 (September 2002): 237-263. [<LINK>](#)

R.J. Epstein and D.L. Rubinfeld, "Merger Simulation: A Simplified Approach with New Applications," *Antitrust Law Journal*, 69 (December 2001): 883-919.

G.J. Werden and L.M. Froeb, "The Effects of Mergers in Differentiated Products Industries: Logit Demand and Merger Policy," *Journal of Law, Economics, and Organization*, 10 (October 1994): 407-26.

S.T. Berry, J. Levinsohn, and A. Pakes. "Automobile Prices in Market Equilibrium." *Econometrica*, 63 (1995): 841-890. [<LINK>](#)

A. Nevo, "A Practitioner's Guide to Random Coefficients Logit Models of Demand," *Journal of Economics and Management Strategy*, 9 (2000): 513-548. [<LINK>](#)

- \* A. Nevo, "Mergers and Differentiated Products: The Case of the Ready-To-Eat Cereal Industry," *Rand Journal of Economics*, 31(Autumn 2000): 395-421. [<LINK>](#)

J.P. Dube, "Product Differentiation and Mergers in the Carbonated Soft Drink Industry," *Journal of Economics & Management Strategy*, 14 (Winter 2005): 879-904. [<LINK>](#)

I. Hendel and A. Nevo, "Measuring the Implications of Sales and Consumer Stockpiling Behavior," *Econometrica*, 74 (2006): 1612-1673.

**Endogenous Product Location**

S.T. Berry & J. Waldfogel, "Do Mergers Increase Product Variety? Evidence from Radio Broadcasting," *Quarterly Journal of Economics*, 116 (August 2001): 1009-1025. [<LINK>](#)

- \* A. Sweeting, "Too Much Rock and Roll? Station Ownership, Programming and Listenership in the Music Radio Industry," Northwestern University Working Paper, January 2006. [<LINK>](#)
- A. Sweeting, "Dynamic Product Repositioning in Differentiated Product Markets: The Case of Format Switching in the Commercial Radio Industry," NBER Working Paper 13522, October 2007.
- M. Draganska, M. Mazzeo, & K. Seim, "Beyond Plain Vanilla: Modeling Joint Product Assortment and Pricing Decisions," Stanford Graduate School of Business Research Paper No. 1982, October 2007. [<LINK>](#)

### C. Merger Effects: Ex Post Evidence

- D. W. Carlton, "The Need to Measure the Effect of Merger Policy and How to Do It," Department of Justice Economic Analysis Group Discussion Paper 07-15, December 2007. [<LINK>](#)
- \* C. Peters, "Evaluating the Performance of Merger Simulation: Evidence from the US Airline Industry," *Journal of Law and Economics*, XLIX (October 2006): 627-649. [<LINK>](#)
- C. Knittel and K. Metaxoglou, "Estimation of Random Coefficient Demand Models: Challenges, Difficulties and Warnings," undated mimeo.
- O. Ashenfelter and D. Hosken, "The Effect of Mergers on Consumer Prices: Evidence from Five Selected Case Studies," Mimeo, October 2007.
- B. Holmstrom and S.N. Kaplan, "Corporate Governance and Merger Activity in the United States: Making Sense of the 1980s and 1990s," *Journal of Economic Perspectives*, 15 (Spring 2001): 121-144. [<LINK>](#)
- G. Andrade, M. Mitchell, and E. Stafford, "New Evidence and Perspectives on Mergers," *Journal of Economic Perspectives*, 15 (Spring 2001): 103-20. [<LINK>](#)
- \* M. Pesendorfer, "Horizontal Mergers in the Paper Industry" *RAND Journal of Economics*, 34 (Autumn 2003): 495-515. [<LINK>](#)
- P.G. Klein, "Were the Acquisitive Conglomerates Inefficient?" *RAND Journal of Economics*, 32 (Winter 2001): 745-761.
- D. Focarelli and F. Panetta, "Are Mergers Beneficial for Consumers? Evidence from the Market for Bank Deposits," *American Economic Review*, 93 (September 2003): 1152-1172.
- M.W. Sullivan, "The Effect of the Big Eight Accounting Firm Mergers on the Market for Audit Services," *Journal of Law and Economics*, 45 (October 2002, number 2, Part 1): 375-400.

### 3. ANTITRUST: VERTICAL RELATIONS and MARKET POWER

- \* Tirole, Chapter 4 (including supplementary section).
- \* M. Whinston, *Lectures on Antitrust Economics*, chapter 4.

S. Salop and D. Scheffman, "Raising Rivals' Costs," *American Economic Review*, 73 (May 1983): 267-271. [<LINK>](#)

B. Douglas Bernheim and M. Winston, "Exclusive Dealing," *Journal of Political Economy*, February 1998, 64-103.P.

J. Hastings, "Vertical Relationships and Competition in Retail Gasoline Markets: Empirical Evidence from Contract Changes in Southern California," *American Economic Review*. (March 2004): 317-28 [<LINK>](#)

### **Vertical Integration**

S. Salop & M. Riordan, "Evaluating Vertical Mergers: A Post-Chicago Approach," *Antitrust Law Journal*, 1995, 513-568.

- \* P.L. Joskow, "Vertical Integration," *Competition Law and Policy*, ABA Antitrust Section, forthcoming. [<LINK>](#)

F. Lafontaine & M. Slade, "Vertical Integration and Firm Boundaries: The Evidence," *Journal of Economic Literature* XLV (September 2007): 629-685.

- \* R. Gilbert & J. Hastings, "Market Power, Vertical Integration, and the Wholesale Price of Gasoline," *Journal of Industrial Economics*, December 2005, pp. 469-492. [<LINK>](#)

### **Vertical Foreclosure**

J.A. Ordoover, G. Saloner, & S.C. Salop, "Equilibrium Vertical Foreclosure," *American Economic Review*, 80 (March 1990): 127-142. [<LINK>](#)

O. Hart & J. Tirole, "Vertical Integration and Market Foreclosure," *Brookings Papers on Economic Activity: Microeconomics*, 1990, 205-286. [<LINK>](#)

T. Chipty, "Vertical Integration, Market Foreclosure, and Consumer Welfare in the Cable Television Industry," *American Economic Review*, 91 (June 2001): 428-453.

D.L. Rubinfeld and H. J. Singer, "Vertical Foreclosure in Broadband Access," *Journal of Industrial Economics*, 49 (September 2001): 299-318.

S. Buehler and Z. Aydemir, "Estimating Vertical Foreclosure in U.S. Gasoline Supply" University of Zurich Socieconomic Institute Working Paper 0212, November 2002. [<LINK>](#)

### **Transactions Costs and Vertical Relations**

Williamson, Oliver. "The Vertical Integration of Production: Market Failure Considerations," *American Economic Review*, 61 (March 1971): 112-123. [<LINK>](#)

O. Hart and J. Moore. "Property Rights and the Nature of the Firm," *Journal of Political Economy*, 98 (1990): 1119-58. [<LINK>](#)

B. Klein, "The Economic Lessons of Fisher Body-General Motors," *International Journal of the Economics of Business*, 14 (February 2007): 1-36. [<LINK>](#)

- \* P.L. Joskow. "Contract Duration and Relationship Specific Investments," *American Economic Review*, 77 (March 1987): 168-75. [<LINK>](#)

T.N. Hubbard. (2001) 'Contractual Form and Market Thickness in Trucking', *RAND Journal of Economics*, **32**, 369-386. [<LINK>](#)

B. Klein, R. Crawford and A. Alchian, "Vertical Integration, Appropriable Rents, and the Competitive Contracting Process," *Journal of Law and Economics*, 21 (October 1978): 297-326.

H. Shelanski and P. Klein. "Empirical Research in Transaction Cost Economics: A Review and Assessment," *Journal of Law, Economics and Organization*, 11 (1995): 335-361.

P.L. Joskow, "'Transaction Cost Economics, Antitrust Rules and Remedies," *Journal of Law, Economics and Organization*, 18 (April 2002): 95-116.

J.D. Dana, Jr. and K.E. Spier, "Revenue Sharing and Vertical Control in the Video Rental Industry," *Journal of Industrial Economics*, 49 (September 2001): 223-246.

#### **4. EFFICIENT REGULATION OF MONOPOLIES**

##### **A. The Natural Monopoly Problem**

- \* P.L. Joskow, "The Regulation of Natural Monopolies," *Handbook of Law and Economics*," Volume 2, M. Polinsky and S. Shavel eds., forthcoming 2007. [<LINK>](#) .

F. Gasmi, J.J. J.-J. Laffont and W. W. Sharkey, "The Natural Monopoly Test Reconsidered: An Engineering Process-Based Approach to Empirical Analysis in Telecommunications," *International Journal of Industrial Organization*, 20(2002): 435-459. [<LINK>](#)

A.E. Kahn, *The Economics of Regulation, Volume 1*, New York: John Wiley, 1970, Chapters 3-7.

W.J. Baumol, J.C. Panzar, & R.D. Willig, *Contestable Markets and the Theory of Industry Structure*, San Diego: Harcourt, Brace, Javanovich, 1982, Chapters 3, 4, and 7.

##### **B. Optimal Pricing with Full Information**

- \* R. Braeutigam, "Optimal Policies for Natural Monopolies," in R. Schmalensee & R.D. Willig (eds.), *Handbook of Industrial Organization*, Volume 2, Amsterdam: North-Holland, 1989, Chapter 23, 1290-1346. (useful overview and general reference) [<LINK>](#)

- \* J.-J. Laffont and Tirole (1993), pages 19-34.

J.-J. Laffont and Tirole (2000), pages 60-66, 73-80.

S. Brown and D. Sibley, *The Theory of Public Utility Pricing*, Cambridge: Cambridge University Press, Chapter 3, 26-60. [<LINK>](#)

G.R. Faulhaber, "Cross-Subsidization: Pricing in Public Enterprises," *American Economic Review*, 65 (December 1975): 966-977.

A.E. Kahn, *The Economics of Regulation, Volume 1*, New York: John Wiley, 1970, Chapter 2.

W.J. Baumol, J.C. Panzar, & R.D. Willig, *Contestable Markets and the Theory of Industry Structure*, San Diego: Harcourt, Brace, Javanovich, 1982, Chapter 8.

R.B. Wilson, *Nonlinear Pricing*, New York: Oxford University Press, 1993, Chapters 4 and 5.

K. Palmer, "A Test for Cross Subsidies in Local Telephone Rates: Do Business Customers Subsidize Residential Customers," *Rand Journal of Economics*, 23 (Autumn 1992): 415-431.

W. T. Whalen, D. W. Carlton, K. Heyer, and O. Richard, "Proposal For a Market-Based Solution to Airport Delays," U.S. Department of Justice Economic Analysis Group Discussion Paper EAG 07-14, October 2007.

J. Brueckner, "Airport Congestion When Carriers Have Market Power," *American Economic Review*, 92 (December 2002): 1357-1375.

### **C. Competition for the Market**

H. Demsetz, "Why Regulate Utilities?" *Journal of Law and Economics*, 11 (April 1968):, 55-66.

O. Williamson, "Franchise Bidding for Natural Monopolies: In General and with Respect to Cable TV," *Bell Journal of Economics*, 7 (Spring) 1976, 73-104.

J.-J. Laffont & Tirole (1993), Chapters 7 and 8.

P. Klemperer, "What Really Matters in Auction Design," *Journal of Economic Perspectives*, 16 (Winter 2002): 169-189.

### **D. Institutions and Mechanisms for Asymmetric Information**

P.L. Joskow & R. Schmalensee, "Incentive Regulation for Electric Utilities," *Yale Journal on Regulation*, 4 (December 1986): 1-49. [<LINK>](#)

\* J.-J. Laffont & Tirole (1993), Chapters 1 & 2; Chapters 3 & 9 are recommended.

\* J.-J. Laffont & Tirole (2000), pages 37-60.

M. Armstrong and D. Sappington, "Recent Developments in the Theory of Regulation," mimeo, December 2003, *Handbook of Industrial Organization, V. III*, [<LINK>](#)

J.-J. Laffont, "The New Economics of Regulation Ten Years After," *Econometrica*, 62 (May 1994): 507-537.

A. Shleifer, "A Theory of Yardstick Competition," *Rand Journal of Economics*, 16 (Autumn 1985): 319-327.

D. Baron, "Design of Regulatory Institutions and Mechanisms," in R. Schmalensee & R.D. Willig (Eds.), *Handbook of Industrial Organization, Volume 2*, Amsterdam: North-Holland, 1989, Chapter 24, 1347-1447.

## **E. Price Caps and Related Regimes**

\* J.-J. Laffont & Tirole (2000), pages 66-73, 84-96.

M. Armstrong, S. Cowan, and J. Vickers. *Regulatory Reform : Economic Analysis and British Experience*. Cambridge, MA : MIT Press. 1994. Chapter 6. [hereafter, Armstrong et al.]

R. Schmalensee, "Good Regulatory Regimes," *Rand Journal of Economics*, 20 (Autumn 1989): 417-436. [<LINK>](#)

T. Jamasb and M. Pollitt, "International Benchmarking and Regulation: An Application to European Electricity Distribution Utilities," *Energy Policy*, 31(December 2003): 1609-1622. [<LINK>](#)

\* P. L. Joskow, "Incentive Regulation in Theory and Practice: Electric Transmission and Distribution Networks," August 2007 mimeo. Prepared for National Bureau of Economic Research Conference on *Economic Regulation and its Reform: What Have We Learned?* [<LINK>](#)

D. Giannakis, T. Jamasb, and M. Politt, "Benchmarking and Incentive Regulation of Quality of Service: An Application to UK Electricity Distribution Utilities," CMI Working Paper 35, 2004. [<LINK>](#)

M. Crew and P. Kleindorfer, Incentive Regulation in the United States: Some Lessons," *Journal of Regulatory Economics*, (May 1996): 211-226.

Armstrong et. al., Chapter 9.

## **F. Access Pricing**

Armstrong et al., Ch. 7.

\* J.-J. Laffont & Tirole (2000), Chapter 1, Chapter 2 (pp. 80-84), Chapter 3, Chapter 4, Chapter 7 [The rest of the book is recommended]

J.-J. Laffont and J. Tirole, "Creating Competition Through Interconnection: Theory and Practice," *Journal of Regulatory Economics*, (November 1996): 227-256. [<LINK>](#)

J.-J. Laffont & Tirole, Chapters 5 and 6.

## **5. THE POLITICAL ECONOMY OF REGULATION**

R.G. Noll, "Economic Perspectives on the Politics of Regulation," in R. Schmalensee & R.D. Willig (eds.), *Handbook of Industrial Organization*, Volume 2, Amsterdam: North-Holland, 1989, Ch. 22, 1253-1287. [<LINK>](#)

\* G.J. Stigler, "The Theory of Economic Regulation," *Bell Journal of Economics*, 2 (Spring 1971): 3-21. [<LINK>](#)

\* R.A. Posner, "Taxation by Regulation," *Bell Journal of Economics*, 2 (Spring 1971): 22-50. [<LINK>](#)

R.A. Posner, "Theories of Economic Regulation," *Bell Journal of Economics*, 5 (Autumn 1974): 335-358. [<LINK>](#)

S. Peltzman, "The Economic Theory of Regulation after a Decade of Deregulation," *Brookings Papers on Economic Activity: Microeconomics*, 1989, 1-60. [<LINK>](#)

E.L. Glaeser and A. Shleifer, "The Rise of the Regulatory State," *Journal of Economic Literature*, 41 (June 2003): 401-425. [<LINK>](#)

J.P. Kalt & M.A. Zupan, "Capture and Ideology in the Economic Theory of Politics," *American Economic Review*, 74 (June 1984): 279-300. [<LINK>](#)

P.L. Joskow & R. Schmalensee, "The Political Economy of Market-Based Environmental Policy: The 1990 U.S. Acid Rain Program," *Journal of Law and Economics*, XLI (April 1998): 37-84.

J. A. Hausman, "Taxation by Telecommunications Regulation," in J.M. Poterba, ed., *Tax Policy and the Economy*, MIT Press: 1998. Volume 12: 29-48. An earlier version appeared as NBER Working Paper 6260, November 1997. [<LINK>](#)

R. Prager, "Using Stock Price Data to Measure the Effects of Regulation: The Interstate Commerce Act and the Railroad Industry," *Rand Journal of Economics*, 20 (Summer 1989): 280-290. [<LINK>](#)

P.L. Joskow, N.L. Rose, and C.D. Wolfram, "Political Constraints on Executive Compensation: Evidence from the Electric Utility Industry," *Rand Journal of Economics*, 27 (Spring 1996): 165-182. [<LINK>](#)

\* R. Kroszner and P. Strahan, "What Drives Deregulation? Economics and Politics of the Relaxation of Bank Branching Restrictions," *Quarterly Journal of Economics*, 114 (November 1999): 1437-1467. [<LINK>](#)

T. Duso and L-H Röller, "Endogenous Deregulation: Evidence from OECD Countries," *Economic Letters*, 81 (2003): 67-71. [<LINK>](#)

"Deregulation Takes Off," Episode I, Chapter 14. *Commanding Heights*. Public Broadcasting System. Also see interviews with Steven Breyer, Alfred Kahn, and Judith Hamill. [http://www.pbs.org/wgbh/commandingheights/shared/miniextlo/ufd\\_deregulation.html](http://www.pbs.org/wgbh/commandingheights/shared/miniextlo/ufd_deregulation.html)

C. Paiva and R. Moita, "Political Price Cycles in Regulated Industries: Theory and Evidence," IMF Working Paper WP/06/260, November 2006

## 6. THE EFFECTS OF ECONOMIC REGULATORY POLICIES

### A. Overview

- \* P.L. Joskow, "Inflation and Environmental Concern: Structural Change in the Process of Public [<LINK>](#)

- \* P.L. Joskow & N.L. Rose, "Economic Regulation and Its Effects," in R. Schmalensee & R.D. Willig (eds.), *Handbook of Industrial Organization, Volume 2*, Amsterdam: North-Holland, 1989, Ch. 25, 1450-1506. [<LINK>](#)

P.L. Joskow & R.G. Noll, "Economic Regulation during the 1980s," in M. Feldstein (Ed.), *Economic Policy During the 1980s*, University of Chicago Press, 1994, Chapter 6, 367-452. . (Useful general survey and reference)

P. L. Joskow, "Regulation and Deregulation After 25 Years: Lessons for Research in Industrial Organization," *Review of Industrial Organization*, 26 (2005): 169-193 [<LINK>](#)

### B. Government vs. Private Ownership

- \* M. Armstrong and D. Sappington, "Regulation, Competition and Liberalization," *Journal of Economic Perspectives*, 44 (June 2006): 325-366.

- \* W. Megginson and J. Netter, "From State to Market: A Survey of Empirical Studies of Privatization," *Journal of Economic Literature*, 39 (June 2001): 321-389. [<LINK>](#)

J. Vickers & G. Yarrow, "Economic Perspectives on Privatization," *Journal of Economic Perspectives*, 5 (Spring 1991): 111-132. [<LINK>](#)

A. Shleifer, "State versus Private Ownership," *Journal of Economic Perspectives*, 12 (Fall 1998): 133-50. [<LINK>](#)

R. Teeple & D. Glycer, "Cost of Water Delivery Systems: Specific and Ownership Effects," *Review of Economics and Statistics*, 69 (August 1987): 399-408.

- \* R. La Porta & F. López-De-Silanes, "The Benefits of Privatization: Evidence from Mexico," *Quarterly Journal of Economics*, 114 (November 1999): 1193-1242 [<LINK>](#)

J.-J. Laffont & J. Tirole (1993), Chapter 17.

### C. Traditional Natural Monopoly Sectors

## 1. Efficiency Effects of Alternative Regulatory Mechanisms

W.J. Baumol & A.K. Klevorick, "Input Choices and Rate-of-Return Regulation: An Overview of the Discussion," *Bell Journal of Economics and Management Science*, 1 (Autumn 1970): 162-190.

E.E. Bailey, *Economic Theory of Regulatory Constraint*, Lexington: D.C. Heath, 1973.

R. Schmalensee, "An Expository Note on Depreciation and Profitability under Rate-of-Return Regulation," *Journal of Regulatory Economics*, 1 (September 1989): 293-298.

P. Gagnepain and M. Ivaldi, "Incentive Regulatory Policies: The Case of Public Transit Systems in France," *RAND Journal of Economics*, 33 (Winter 2002): 605-629. [<LINK>](#)

- \* C.J. Hammond, G. Jones, and T. Robinson, "Technical Efficiency Under Alternative Regulatory Regimes: Evidence from the Inter-war British Gas Industry," *Journal of Regulatory Economics*, 22(September 2002): 251-270. [<LINK>](#)

C. Ai and D. E. M. Sappington, "The Impact of State Incentive Regulation on the U.S. Telecommunications Industry," *Journal of Regulatory Economics*, 22 (2002, 2): 133-160. [<LINK>](#)

R. Carrington, T. Coelli, and E. Groom, "International Benchmarking for Monopoly Price Regulation: The Case of Australian Gas Distribution," *Journal of Regulatory Economics*, 21:2, 2002: 191-216.

- \* K. Fabrizio, N. L. Rose, and C. D. Wolfram, "Do Markets Reduce Costs? Assessing the Impact of Regulatory Restructuring on U.S. Electric Generation Efficiency," *American Economic Review*, forthcoming..

J. Bushnell and C. D. Wolfram "Ownership Change, Incentives and Plant Efficiency: The Divestiture of U.S. Electric Generation Plants" University of California Energy Institute Working Paper 140 (March 2005). [<LINK>](#)

J. V. Biesebroeck, "Robustness of Productivity Estimates," *Journal of Industrial Economics*, LV (September 2007): 529-.

## 2. Market Power and Price Effects

### Electricity

- \* G. Stigler & C. Friedland, "What Can Regulators Regulate?" *Journal of Law and Economics*, 5 (October 1962): 1-16. [<LINK>](#) (See correction in Peltzman, below.)

S. Peltzman, "George Stigler's Contribution to the Analysis of Economic Regulation." *Journal of Political Economy*, (October 1993): 819-832. [<LINK>](#)

- \* R. Green and D. Newbery, "Competition in the British Electricity Spot Market," *Journal of Political Economy*, 100 (1992): 929-953. [<LINK>](#)

- \* C. D. Wolfram, "Measuring Duopoly Power in the British Electricity Spot Market," *American Economic Review* 89 (September 1999): 805-826. [<LINK>](#)
- A. Sweeting, "Market Power in the England and Wales Wholesale Electricity Market, 1995-2000," *Economic Journal*, 117 (April 2007): 654-685. [<LINK>](#)
- C. D. Wolfram, "Strategic Bidding in a Multiunit Auction: An Empirical Analysis of Bids to Supply Electricity in England and Wales," *Rand Journal of Economics*, 29 (Winter 1998): 703-725. [<LINK>](#)
- D. Newbery, "Competition, Contracts and Entry in the Electricity Spot Market," *Rand Journal of Economics*, 29 (Winter 1998): 726-749. [<LINK>](#)
- G. Horton and S. Littlechild, "Reevaluating the Costs and Benefits of UK Electricity Privatisation," unpublished draft, September 2002. [<LINK>](#)
- P.L. Joskow, "Regulatory Failure, Regulatory Reform and Structural Change In The Electric Power Industry," *Brookings Papers on Economic Activity: Microeconomics*. 1989. [<LINK>](#)
- \* P.L. Joskow, "Deregulation and Regulatory Reform in the U.S. Electric Power Sector," *Deregulation of Network Industries* (Peltzman and Winston, eds.), Brookings Press, 2000, chapter 4. [<LINK>](#)
- \* S. Borenstein, J. Bushnell and F. Wolak, "Measuring Market Inefficiencies in California's Restructured Wholesale Electricity Market," *American Economic Review*, 92 (December 2002): 1376-1405. [<LINK>](#)
- P.L. Joskow and E. Kahn, "A Quantitative Assessment of Pricing Behavior in California's Wholesale Electricity Market During Summer 2000," *The Energy Journal*, 23(2002): 1-35. [<LINK>](#)
- P. L. Joskow, "Markets for Power in the United States: An Interim Assessment," *Energy Journal*, 27(2006): 1-36.
- Telecommunications
- R. Crandall and J. Hausman, "Competition in U.S. Telecommunications Services: Effects of the 1996 Legislation," *Deregulation of Network Industries* (Peltzman and Winston, eds.), Brookings Press, 2000, chapter 3.
- J. A. Hausman, G.K. Leonard, and J.G. Sidak, "Does Bell Company Entry into Long-Distance Telecommunications Benefit Consumers?," *Antitrust Law Journal*, 70 (2002): 463-484. [<LINK>](#)
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