

ECN 433: Industrial Organization

Summary for Exam 2

1. Market Structure and Strategic Competition

- The Impact of Market Concentration (H-Index) on Price-Cost Margin
- Cost of Entry and the Free-Entry Equilibrium Market Structure
- Static Analysis of Dominant Firm Behavior
- Dynamic Analysis of Dominant Firm Behavior (Limit Pricing)

2. Strategic Theories of Limit Pricing

- (a) Bain-Sylos Postulate
- (b) Pre-entry Commitment Mechanisms: Adjustment Costs, Learning by Doing, Investment in Capacity
- (c) Dixit's Model of Capacity Pre-commitment for Entry-Deterrence

3. Mergers

- (a) Different Types of Mergers
- (b) Reasons for Mergers
- (c) Horizontal Mergers
 - Market Power - Efficiency Tradeoffs (with or without Internal Expansion)
 - DOJ Merger Guideline
- (d) Conglomerate Mergers
 - Economies of Scope

4. Vertical Mergers

- Successive Monopolies
- Extensions of Monopoly (Fixed Proportions Case)
- Extensions of Monopoly (Variable Proportions Case)
- Other Vertical Restrictions
 - Resale Price Maintenance
 - Territorial Restraint
 - Exclusive Dealing
 - Tying
 - * Price Discrimination Theory
 - * Bundling (Fixed Proportions)
 - * Tying with Variable Proportions

5. Price Discrimination Theory

- Necessary Conditions for Price Discrimination
- First-Degree Price Discrimination
 - Role of Transaction Costs
- Second-Degree Price Discrimination
- Third-Degree Price Discrimination
 - Price Elasticity of Demand and Price Discrimination
- Welfare Analysis of Price Discrimination

6. Predatory Pricing

- Existence of Predatory Pricing
- McGee's Criticism
- Modern Theories of Predatory Pricing
 - Capital Market Imperfection
 - Reputation Effect (Signalling)
 - Test Market Predation
- Signalling Model of Predatory Pricing

7. Theories of Regulation

- Public Interest Theory
- Capture Theory
- Economic Theory