

Market Power: Why and how might the state intervene

Read “An Economist’s Guide to U.S. v. Microsoft” by Richard J. Gilbert and Michael L. Katz which was published in the Spring 2001 issue of Journal of Economic Perspectives

<http://www.aeaweb.org/jep/contents/Spring2001.html#gilbert>

or

<http://proquest.umi.com/pqdlink?did=74078017&sid=4&Fmt=3&clientId=17200&RQT=309&VName=PQD>

or

<http://search.ebscohost.com/login.aspx?direct=true&db=buh&AN=4581939&site=bsi-live>

Consider the following questions (some require extra research – use the internet)

1. How do you define a market?
2. What markets do you think that Microsoft have monopoly power in?
3. If I give a product away, which was the case with Internet Explorer, how can I make excess profit if I make no revenue?
4. What has happened since this article was written (which was about mid-2000)?
5. What action is being taken against Microsoft in the EU?

Pricing Internet access and use

Read "Innovation and the Evolution of Market Structure for Internet Access in the United States" by Shane Greenstein

<http://www.kellogg.northwestern.edu/faculty/greenstein/images/htm/research/articles/innovation%20and%20evolution.pdf>.

Consider the following questions (some require extra research – use the internet)

1. What are the likely prediction on the nature of underlying costs for an internet (a) charged by usage (i.e. £x per Mb) and (b) charged at a flat rate?
2. Why might an internet provider offer multiple charging packages – i.e. a flat rate with usage caps and an *uncapped* flat rate?
3. What does uncapped mean in practice?
4. As the nature of the internet changed, how did pricing change?
5. What happened in the UK (or any other European country) to the number of ISPs in the past decade? Does this tie in with what you would expect as an Economist?

The impact of the Internet on the prices of goods and services

Read "Retail strategies on the Web: Price and non-price competition in the online book industry" by K. Clay, R. Krishnan, E. Wolff & D. Fernandes published in *Journal of Industrial Economics* in September 2002

<http://www3.interscience.wiley.com/journal/118942775/abstract>

or

DOI: 10.1111/1467-6451.00181

Consider the following questions (some require extra research – use the internet or the Library)

1. Why might the sample of books be biased by including best sellers as 37% of the sample – you might wish to read up on what happened when the Net Book Agreement was abolished in the UK?
2. What do the results in Table IV tell you statistically and economically?
3. If you were repeating the analysis, what variables and observations would you include?

Pricing Internet access and use

Read "Pricing Electronic Mail to Solve the Problem of Spam" by R. E. Kraut, S. Sunder, R. Telang and J. Morris published in *Human-Computer Interaction* in 2005

<http://www.informaworld.com/smpp/content~db=all~content=a784768003>

Consider the following questions (some require extra research – use the internet or the Library)

1. How might an internet postage stamp work – you might wish to read up on the evolution of physical mail?
2. How as an Economist might you assess where should the revenue for an internet postage stamp go – to ISP, network infrastructure providers, SPAM filter manufacturers or as compensation to users for Spam?
3. What are the current and possible future costs of spam?

The Economics of Advertising

Read "Is advertising a signal of product quality? Evidence from the compact disc player market, 1983–1992" by I. Horstmann & G. MacDonald, published in *International Journal of Industrial Organization* in 2003

[http://dx.doi.org/10.1016/S0167-7187\(02\)00086-3](http://dx.doi.org/10.1016/S0167-7187(02)00086-3)

Consider the following questions (some require extra research – use the internet or the Library)

1. What pattern of advertising would you expect during the life cycle of a product?
2. What forms would you expect advertising to take during the life cycle of a product?
3. Evaluate the results in Table IV both economically and statistically.
4. What do you think is the answer to the question posed by the paper - Is advertising a signal of product quality?

Predatory Pricing

Read "Predatory pricing standards: Is there a growing international consensus?" by Gunnar Niels & Adriaan ten Kate which was published in the Antitrust Bulletin in Fall 2000

<http://proquest.umi.com/pqdweb?did=62777287&sid=1&Fmt=3&clientId=17200&RQT=309&VName=PQD>

Consider the following questions

1. It has been argued by some that

"... evidence of subjective intent to predate is both hard to come by and often ambiguous. Though some have suggested it (subjective intent) is the only way to distinguish predation from competition, its reliability is questionable and so, as an independent basis for imposing liability, it is often deficient. In some cases of true predation, it will not be obtainable. In cases where there is no prospect of recoupment, intentional predation will not have an adverse effect on consumers. Indeed, consumers will benefit from low prices during the unsuccessful predatory campaign. The only risk is that an effective competitor in the market will be eliminated." If this is the case, do you think it is an efficient use of resources that predatory pricing is regulated.

The above quote is taken from the VanDuzer Report: Anticompetitive Pricing Practices and the Competition Act: Theory, Law, and Practice published by the Competition Bureau of Canada in 1999.

2. What is recoupment? How may we find evidence that it has or will have occurred?

Price Discrimination

Read "Replica Football Kits" by Matthew Olczak which was published in "The Benefits from Competition: Some Illustrative UK Cases - A Report to the DTI" in May 2004

Chapter 7 of <http://www.berr.gov.uk/files/file13299.pdf>

Consider the following questions (again some require extra research)

1. What different types of price discrimination exist in the replica football shirt market?
2. How are the sub-markets segmented? Are there any opportunities for resale?
3. Is price the only factor that has an influence on the utility of consumers? What other factors may have an influence in this case?
4. Given that some football clubs exhibit considerable overseas interest (especially Manchester United & Liverpool), should overseas prices be regulated?
5. What alternative strategies may the football clubs ^{and/or} their shirt suppliers start to adopt to maximise revenue?

Public Policy towards Private Enterprise

Read "U.S. Antitrust and EU Competition Policy: Where has the Former Been, Where is the Latter Going?" by Stephen Martin which was published as a working paper in January 2005

<http://ideas.repec.org/p/ave/wpaper/272005.html>

or

http://www2.egi.ua.pt/wp_economia/WP27-StephenMartin.pdf

Consider the following questions.

1. In the case of Schwinn bicycles [mid way through 3. United States: Competition to Welfare], do you accept that a vertically integrated firm is less of an impediment to competition than an exclusive relationship with wholesalers? Relate your answer to economic theory.

2. Does the German record producer example [at the end of Section 4] now have some more important competition implications given the French iTunes legislation?

For more on the French iTunes legislation look at

<http://news.bbc.co.uk/1/hi/programmes/newsnight/4837834.stm>

<http://news.bbc.co.uk/1/hi/technology/4833010.stm>

and

<http://www.freedom-to-tinker.com/?p=997>

For more on the Economics of DRM (Digital Rights Management) look at

<http://www.freedom-to-tinker.com/?p=959>

and

<http://www.freedom-to-tinker.com/?p=998>