

Paper Trail: Working Papers and Recent Scholarship

Before a paper reaches the public in its “final” version, it goes through many iterations as a draft or as a working paper. Much of this writing is available pre-publication on the authors’ or universities’ web sites, or on specialized web sites that collect this scholarship. Many of these papers, even when published, may not come to the notice of practitioners and others through the usual literature channels.

This department will track current working papers or recently published articles on issues of interest to antitrust practitioners and enforcers. When we find a paper of particular interest, we will summarize its contents in a short paragraph.

We welcome readers’ suggestions of papers you have found to be particularly useful or insightful. Contact Bill Page, page@law.ufl.edu.

Papers and Summaries

**Charles J. Romeo and Andrew R. Dick,
“The Effect of Format Changes and Ownership
Consolidation on Radio Station Outcomes,”
Economic Analysis Group Discussion Paper
(EAG 01-5) (May 24, 2001).**

In many proposed mergers that might raise unilateral competitive effects concerns in a differentiated market, the merging parties rely in part on the claim that product repositioning by other firms in the market would rob the merged firm of any non-trivial incentive to raise price. In particular, radio stations are differentiated by format to attract a particular demographic. When reviewing proposed mergers of radio stations, the Antitrust Division has evaluated the advertising price effects of the mergers within a particular format (e.g., news/talk, top-40, classic rock) offered in a geographic area. In cases in which Division viewed the post-merger share (and the delta) of the merging parties in a particular format as raising antitrust concerns, the merging parties frequently contended that format repositioning by rival stations would substantially reduce such concerns. Romeo and Dick analyze an extensive cross-section and time-series of format changes and find that format changes by large radio groups occur only when stations are performing poorly (suggesting that small advertising price changes are not likely to induce repositioning) and that the changes are often to formats that attract the same demographic. Romeo and Dick conclude that format repositioning may only be a weak constraint on the post-merger exercise of market power.

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Carl Shapiro, “Antitrust Limits to Patent Settlements” (May 1, 2001),

<http://www.haas.berkeley.edu/~shapiro/>

See <http://www.ssrn.com>

Shapiro addresses the issue of how antitrust principles should be applied in the context of settlements of intellectual property disputes. He applies a standard of consumer benefit to evaluate settlements in a variety of stylized market environments and settlement types (including payments by the patent holder to the challenger for delayed entry).

Josh Lerner, “Did Microsoft Deter Software Innovation?” (May 2001)

<http://www.people.hbs.edu/jlerner/>

See <http://www.ssrn.com>

Analyzing a database of indicia of innovative activity between 1990 and 2000, Lerner tentatively concludes that Microsoft did not deter innovation in software.

Randal C. Picker, “Pursuing a Remedy in Microsoft: The Declining Need for Centralized Coordination in a Networked World” (forthcoming in *J. Inst'l & Theoretical Econ.*)

<http://www.law.uchicago.edu/Lawecon/index.html>

See <http://www.ssrn.com>

Picker argues that any Microsoft remedy should take account of the increasingly easy sharing of software over “the network” rather than by incorporation into the operating system. He suggests that the remedy should emphasize removing Microsoft’s ability to use its dominant position in the operating system market distort this method of software distribution. One dramatic suggestion is to require Microsoft for two years to distribute only a stripped-down version of Windows, but to allow it to distribute middleware by other means, such as downloads from its web site.

Ian Gale and Daniel P. O’Brien, “The Antitrust Implications of Capacity Reallocation by a Dominant Firm,” *J. Indus. Econ.* XLIX (No. 2) (June 2001).

In many industries in which some resource is in apparently inelastic supply, such as landing slots at major airports and spectrum licenses in communications, a firm’s acquisition of additional capacity from other firms frequently results in a reallocation of that capacity from one market to another. After providing a brief (but useful) review of previous papers which generally conclude that the capacity reallocation will be excessive from the standpoint of social welfare, Gale and O’Brien develop a dominant firm model that relaxes some of the assumptions of these previous papers to evaluate the effects of

the dominant firm’s acquisition of additional capacity from the fringe. They conclude that the capacity reallocation will be inadequate rather than excessive in social welfare terms. Gale and O’Brien then apply the model to a Justice Department-challenged deal between Motorola and Nextel that resulted in the two firms controlling a large fraction of the spectrum available for radio dispatch services and a type of cellular service. While the Justice Department feared that the deal would result in too much capacity being allocated from the dispatch-type service to the cellular service, the authors conclude that at least part of the resulting Consent Decree had the effect of deterring socially optimal capacity shifts. ●