1. *Standard Oil of New Jersey* (1911) and *Alcoa* (1945) are usually considered to represent polar positions of the Courts with respect to the standards of proof required for successful prosecution of monopolization under Section 2 of the Sherman Act. Yet these opinions are similar in that they both reach their conclusions based on their (differing) views of the appropriate standards of proof for Section 1 cases.

Compare and contrast these judicial opinions and explain the connections to interpretations under Section 1.

2. In *Alcoa*, Judge Learned Hand concluded that the 90% market share attributed to Alcoa under one definition of the relevant market was "enough to constitute a monopoly." The remaining 10% was accounted for by imports of virgin aluminium. From an economic point of view, explain why the elasticity of import supply would be an important determinate of the ability of Alcoa to set price above marginal cost, even if the share of imports was only 10%. Use a diagram!

3. (a) Briefly explain what is meant by each of the following antitrust terms:

- incipieny
- secondary line injury
- reasonable interchangability
- conscious parallelism
- intrabrand competition

(b) Match each of the antitrust cases listed below with the above concept most relevant to it:

- **GTE Sylvania**
- **Brown Shoe**
- **A&P**
- **Morton Salt**
- **DuPont (1956)**
- **Schwinn**
- **American Tobacco**
- **Theatre Enterprises**
- **Von's**

4. In the context of *Northern Pacific*, *Arnold Schwinn*, and *GTE Sylvania*, discuss the evolution of the Court’s attitude toward the issues raised by vertical restraints.

5. Taft’s opinion in *Addyston Pipe* has been referred to as "the high-water mark of rational antitrust doctrine." What is your evaluation of this enduring precedent?

6. "Antitrust’s concern with vertical mergers is mistaken. Vertical mergers are means of creating efficiency, not of injuring competition." Do you agree or disagree? Explain your reasons.

7. "The power of a dominant firm to raise price above marginal cost depends more upon the supply elasticity of the competitive fringe than on the fringe’s share of the market." Do you agree or disagree? Support your position with a diagrammatic analysis.

9. Territorial limitations and resale price maintenance are forms of vertical restraints that have both been held to be *per se* violations of Section 1 of the Sherman Act. Discuss the economic issues raised by each and the evolution toward their *current* legal status.
10. Briefly identify the following terms, concepts, and cases:

- economies of scope
- economies of scale
- natural monopoly
- cross-subsidization
- Munn vs. Illinois
- rate base
- Above 890 decision
- FPC vs. Hope Natural Gas

11. An electric power company serves a group of households who demand electricity only during the day. Their inverse demand curve is given by $P_1=70-y_1$. The power company also serves a large industrial customer that demands electricity only during the night. (During the day it powers its plant using solar energy.) This factory’s demand for electricity is totally inelastic at 50 units. It costs the power company 20 per unit of capacity it installs, plus fuel coats of 5 for each unit of electricity it produces.

First, solve the power company’s peak-load pricing problem. That is,

a. Find the optimal day time price.

b. Find the optimal night time price. (Assume that the power company exactly breaks even.)

c. Determine how much capacity the power company should install.

d. As a result of residential growth, the daytime demand curve shifts out to $P_1=100 -y_1$, while the nighttime demand remains unchanged. Recalculate your answers to a, b, and c.

12. Vertical relationships between markets play an important role in both antitrust and regulation economics. Discuss the interactions between vertical structure and competition in the post WWII telecommunications industry.

13. A famous economist once wrote: "If a natural monopoly is producing and pricing efficiently, there is no need to bar competitive entry. It is economically unnecessary, and would not occur anyway." Comment on the economic validity of this statement and the policy issues raised by the possibility of entry into the markets of regulated firms.

14. Most of the industries you’ve studied (telecommunications, electric power, natural gas, airlines, railroads, etc.) involve multifirm networks. Discuss the difficulties this situation poses for antitrust and regulatory policy.