Preface to the first edition

Even to the casual observer it might appear that problems of market dominance and antitrust policy are almost daily in the news. Amongst the more prominent examples are the following: officials of the European Commission pay unannounced visits to the headquarters of some of the most famous companies in the world and seize documents that appear to show that they have been colluding on prices; a takeover bid for a highly respected and long-established UK confectionery firm is made by a foreign company and is allowed to proceed unhampered despite widespread protest; in the aviation industry a company whose name is a household word is accused of using predatory tactics to ruin a much smaller competitor; in the UK the most prestigious and successful brewing companies are horrified to learn that the Monopolies and Mergers Commission have recommended that they should be forced to divest themselves of a large proportion of their retail outlets or pubs; in the US the most successful computer software company is accused of anticompetitive behaviour. Many other examples could be cited and in subsequent chapters we will look in detail at cases from the EU, the US and the UK involving collusion, mergers, the market conduct of dominant firms and the market power that may or may not derive both from vertical integration and from vertical restraints.

The issues and institutions involved, like industry itself, are complex. The book is therefore structured in a way which we hope will allow the reader to make sense of the complexity. There are four sections. Part I contains an analysis of market dominance and its possible extent, with a preliminary review of the institutions used to deal with it. The core of the book is then contained in Parts II and III, distinguishing horizontal from vertical issues. In Part II, particular attention is paid to the market conduct of dominant firms, which has received so much recent theoretical attention. It also contains a discussion of collusion, where the antitrust response has perhaps been the most uniform, and horizontal mergers, where despite very intensive study many issues still remain unresolved. In Part III, the emphasis switches to vertical issues: that is, those involving the relationships between firms and their input suppliers or their distributors. Both theory and policy in this area have undergone significant changes in recent years. Finally, in Part IV we raise a number of controversial questions about the effectiveness of antitrust policy, including a discussion of the appropriate sanctions both against those who infringe the law and against those who attempt to mould its application to their own purposes. We also take up sensitive questions involving conflicts between antitrust and trade policies, the international 'reach' of antitrust and foreign takeovers of domestic firms.

Michael A. Utton - 9781843767480

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In courses in industrial and business economics in British universities, antitrust policy tends to be relegated to a brief final chapter or passing reference to a few well-known cases. Even though much of the preceding analysis may have led up to some apparently important policy conclusions, the next step – how these are or are not translated into actual policy – is often left unanswered or merely given a fleeting reference. On the other hand, students of competition law or competition policy may acquire a detailed knowledge of many cases without appreciating the economic analysis that may or, in some notorious instances, may not underpin them. By bringing together in each chapter of Parts II and III a discussion of the economic analysis and then the treatment of the issues in European, British and US antitrust policy, we have attempted to overcome this limitation.

The intention, therefore, is that the book should provide a useful accompaniment to courses in industrial and business economics, competition law and institutions, and in some instances microeconomics where there is an emphasis on market power issues. The level of economics assumed is no more than that usually taught to first and second year undergraduates and what little algebra is used has been largely relegated to the appendices.

Many of the topics have been discussed over several years with business economics students at Reading, and I have benefited greatly from their scepticism and readiness to challenge the conventional wisdom. I would especially like to thank Lauraine Newcombe who coped superbly with the daunting task of deciphering my handwriting and preparing the final draft for the publisher.

M.A.U.