The ABA handbook series covers a variety of antitrust topics, and this second edition of the Market Power Handbook is relatively slim book (less 200 pages) that addresses what the authors correctly consider “one of the essential concepts of antitrust law.” The Preface of the book lays out its goals:

The Market Power Handbook is designed to provide an overview of the fundamental market power issues that arise in antitrust cases. It attempts to offer an accessible description of the existing economic literature, including how that literature relates to the legal issues that arise in litigated cases and agency investigations, updating the discussion and references from the original edition. Where possible, the book identifies emerging issues which will shape future law.

In many ways the book achieves these goals, with chapters on the Definition of Market Power, the Role of Market Power in Statutory Antitrust Offenses, the Economics of Market Power, Market Definition, Measuring Market Power, Market Power Analysis: Extensions and Complexities, and Barriers to Entry.

As with most ABA Section of Antitrust publications, the work has numerous contributors (17 named, with Mary Coleman and Bruce Hoffman as editors). It is therefore not surprising that some sections of the book tend to be more legally oriented and cite many cases, others based on economic research and cite many articles, and some with relatively few citations. The impact of these different approaches will vary depending on the reader and what he or she is looking to get out of it.

If the reader is a very sophisticated antitrust attorney or an economist reasonably well versed in industrial organization, the book can provide some relatively short and simple explanations of new economic techniques that are being explored and employed on occasion by the antitrust agencies. For example, there are brief descriptions of new empirical analyses of market power, including rotation or shifts in the demand curve, shifts in cost, econometric estimation of marginal costs and oligopolistic “strategic interaction” parameters, and residual demand estimation. This section cites to a variety of economics articles, but provides no citation to any case. As such, the section would presumably be most useful to attorneys and economists who are interested in a simple overview of the economics, and may then be interested in following up and reading the literature.

Overall, the book does a good job explaining what antitrust market power is and why it matters. The book also indirectly highlights some tensions between case law and the approach of the antitrust agencies in some key areas. One clear example is the discussion of market definition. Many economists have argued that market definition is not necessary for determining market power if there is direct evidence of firms pricing above competitive levels. The book recognizes that, but still devotes a substantial amount of time to market definition analysis and calculating market shares since both the courts and the agencies agree that these structural measures of market power need to be given some weight. In the Market Definition chapter, the book explains both the courts’ views on market definition and the approach by the antitrust agencies as embodied in the 2010 Horizontal Merger Guidelines. There is a section of this chapter that describes how the courts have relied upon cross-elasticity of supply and supply-side considerations in defining markets, and references forty cases supporting this aspect of market definition. In a later section of the same chapter, the book states “[t]he Guidelines do not look to cross elasticity of supply – that is, supply substitution factors – as determinant of the
relevant product market.” There are no case cites to support this demand-side only market definition approach, nor any attempt to analyze the apparent tension.

Supply-side substitution to some degree is addressed in the last chapter on Barriers to Entry. That chapter deals with many of the issues surrounding entry, but does not systematically integrate them into an analysis of market definition or market power. Entry has been a challenging issue to evaluate, as can be seen in the substantial changes over time in the section of the Merger Guidelines dealing with entry. As such, it is understandable that the book does not integrate entry issues into market power analysis in as clear a fashion as it does other concepts.

In general, the Market Power Handbook should be useful to those looking for an overview, and parts of it should be useful even for those well-schooled in antitrust.

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