

## **Strategic Business Behavior and Antitrust**

Charles A. Holt and David T. Scheffman

in J. Meehan and R. Lerner (eds.),  
*Economics and Antitrust Policy*, Quorum Books, 1989, 39-82.

The paper was published without an abstract. The following summary of this article is taken from a review by Jonathan Baker in *The Antitrust Bulletin*, Winter 1989, pp.928-9:

At the very moment the Chicago school was capturing the antitrust enforcement community with explanations of how the pursuit of private advantage often generates social efficiencies, industrial organization economics was rapidly changing. Meehan and Lerner identify the newest economic learning, which they term the theory of strategic behavior, as a post-Chicago school of economic thought. In their essay, economists Charles Holt and David Scheffman, a recent successor to Mann at the F.T.C., relate these new economic theories of strategic behavior in oligopoly to antitrust. Their survey employs numerical examples to illustrate the possible anticompetitive consequences of practices such as strategic investment, strategic underinvestment, meet or release clauses in long-term contracts, most favored customer provisions, strategic entry deterrence, and investment in a reputation for predation.

Holt & Scheffman attempt to bridge the chasm between academic research in industrial organization economics and antitrust policy. The authors emphasize that the new economic models they describe rarely permit broad generalizations about the antitrust significance of business practices: The same conduct that permits firms to exercise market power in some contexts may generate efficiencies in other contexts. Hence this essay can be read as counseling against the use of per se rules to decide antitrust cases, and counseling in favor of hiring economists as expert witnesses.