

Economics expert details game theory during Heath lecture



Johns Hopkins University Professor of Economics Joseph E. Harrington spoke March 30 on economic game theory and antitrust law as a part of the Bayard Wickliffe Heath Memorial Lecture Series March 30. (Photo by Kim Burroughs)

By Francie Weinberg

Joseph Harrington, professor of economics at John Hopkins University, discussed direct and indirect coordination in collusion March 30 at the third annual Bayard Wickliffe Heath Memorial Lecture at the University of Florida Levin College of Law.

"Collusion is where competition is supplanted with coordination, the objective being to get prices up, to get the supply down and to raise firm profits," Harrington said during his lecture entitled "Game-Theoretic Ruminations on Section 1 of the Sherman Act."

"Basically, cartels are a dirty business and you ought to stay out of it."

The Sherman Act, passed in 1890, was one of the earliest and most important antitrust laws established in the United States. This remains that way today despite the many ways in which it has become increasingly advanced more than a hundred years later.

Harrington broke down the challenges that firms face regarding collusion into two parts: coordination and implementation.

"You have to coordinate on some particular collusive outcome, maybe allocations or price, and then they have to actually implement that outcome," he said. "So the coordination involves communication, and a big part of antitrust law is deciding what forms of communication are lawful or unlawful."

Harrington then explained the different brands of collusion in the eyes of the law including explicit collusion and tacit collusion. He used a variety of real-world examples, including colluding between auction houses in New York as well as American and Braniff Airlines.

"What's unlawful in these situations is unobservable," he said. "Meeting of the minds cannot be directly observed. What is observable is actions, bringing us back to the coordination and implementation challenges."

Harrington admitted, though, that as times and technology change, it is much harder to apply antitrust laws when much of the collusion is behind closed doors.

Harrington is one of the leading antitrust economists in the world, particularly in the application of game theory to antitrust issues. He has published more than 60 articles which have appeared in the *American Economic Review*, *Rand Journal of Economics* and the *Journal of Industrial Economics* among others.

He is the co-author of *Economics of Regulation and Antitrust*. His work has been widely cited in legal scholarship in the field of economics.

The Heath Memorial Lecture Series is made possible by a gift from Inez Heath, Ph.D., widow of Bayard "Wick" Heath. Before his death in 2008, Heath was the senior competition consultant with Info Tech, a Gainesville firm specializing in statistical and econometric consulting, expert witness testimony and antitrust law. Previous lecturers include Herbert Hovenkamp and William Kovacic.