

ABSTRACT

The 1980's saw the evolution of a vertical antitrust theory often referred to as "Raising Rivals' Costs." Our analysis examines this theory and its robustness with respect to a number of assumptions. In addition, the applicability of the theory to two well known cases is evaluated. In these cases, the facts are shown to be inconsistent with the requirements of the theory. It appears that while "Raising Rivals' Costs" is a theoretically valid method of achieving an anticompetitive effect on price, its practical uses are extremely limited.

