

This paper analyzes the question of market power. Longstanding definitions and analytical tools are inadequate because they conflate conditions under which a firm has unbeneficial control over its markets (market power) with situations where firms are successful because they are superior in how they serve customers (expanding consumer welfare). Furthermore, today's fast-changing markets make current antitrust approaches invalid because the information decays as circumstances rapidly change. This paper develops a more rigorous definition of market power and proposes new tests. The proposed definition seeks to isolate damaging market control and the tests examine the extent to which investors, actual rivals, and potential rivals act as if market power is present.