

Dr. Diana Moss
University of Colorado
Department of Economics
Spring 2013

Topics in Industrial Organization:
Antitrust and Regulation (4797-001)
T-Th 9:30 - 10:45 am, Stadium Room #140

Contact Information:

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University of Colorado: 303-492-4552 or diana.moss@colorado.edu

Office Hours: T/Th 11:15 - 12:15 pm and by appointment
(Economics Room # 216)

Course Description and Objectives:

Industrial Organization addresses imperfectly competitive market structures, strategic firm conduct such as pricing, output, quality, choice, and entry in those markets, and market performance. The objective of this course is to familiarize you with two of the major instruments of competition policy considered by Industrial Organization economists—*antitrust and regulation*.

The course will emphasize the economic-legal concepts that form the basis for antitrust and regulation, the qualitative and quantitative tools that are useful for thinking critically about a wide range of competition issues, across a variety of industries, using real world applications. Applying these skills to past, present, and prospective issues and problems will be a central focus of the course. Case studies are used to illustrate concepts, including mergers, collusive agreements, monopolization, and networks. Individual and group projects help develop advocacy and public speaking skills.

The course consists of four parts that will explore theory, tools, and applications involving antitrust and regulation. Part I examines problems involving horizontal structure (mergers). Part II looks at horizontal practices (e.g., cartels, coordinated interaction, bid rigging). Part III addresses vertical and related market issues (e.g., tying, bundling, and resale price maintenance), and Part IV looks at network issues (e.g., aftermarket issues, predation).

Prerequisites:

Students must have already taken Intermediate Microeconomic Theory (Econ 3070) *or* Industrial Organization (Econ 4697) to enroll in this class. No exceptions will be made.

Requirements, Grading, and Other Policies

Mid-Term Exam #1	20%
Mid-Term Exam #2	20%
Final Exam	20%
Class Attendance	10%
Case Presentation	5%
Individual/Team Projects:	
▪ Research Paper	15%
▪ Presentation	10%

Total	100%

Grading: Grading will be based on: (1) three exams, (2) a case presentation, (3) an individual or team (depending on number of students enrolled in the course) research paper and presentation, and (4) class attendance (recorded randomly throughout the semester). I will assign letter grades at the end of the semester based on a distribution of total point scores. Note that there are ***no make-up exams***, except for conflicts with a religious obligation.

Academic Integrity: All students are responsible for knowing and adhering to the academic integrity policy of this institution. Violations of this policy may include: cheating, plagiarism, aid of academic dishonesty, fabrication, lying, bribery, and threatening behavior. All incidents of academic misconduct shall be reported to the Honor Code Council (honor@colorado.edu; 303-725-2273). Students who are found to be in violation of the academic integrity policy will be subject to both academic sanctions from the faculty member and non-academic sanctions (including but not limited to university probation, suspension, or expulsion). Other information on the Honor Code can be found at <http://www.colorado.edu/policies/honor.html> and at <http://www.colorado.edu/academics/honorcode/>.

Classroom Behavior: Students are expected to abide by the University's classroom behavior policy. In particular, the use of wireless telephony devices while the class is in session distracts the class from the lecture and/or discussion and should be turned off ***before*** the start of class. Students and faculty each have responsibility for maintaining an appropriate learning environment. Those who fail to adhere to such behavioral standards may be subject to discipline. Professional courtesy and sensitivity are especially important with respect to individuals and topics dealing with differences of race, culture, religion, politics, sexual

orientation, gender, gender variance, and nationalities. Class rosters are provided to the instructor with the student's legal name. I will gladly honor your request to address you by an alternate name or gender pronoun. Please advise me of this preference **within the first two weeks of the semester** so that I may make appropriate changes to my records. See policies at <http://www.colorado.edu/policies/classbehavior.html> and at http://www.colorado.edu/studentaffairs/judicialaffairs/code.html#student_code.

Religious Obligations: Campus policy regarding religious observances requires that faculty make every effort to deal reasonably and fairly with all students who, because of religious obligations, have conflicts with scheduled exams, assignments or required attendance. In this class, you are required to inform me of a scheduling conflict **within the first two weeks of the semester** so that I may make accommodations. See the full details of the University religious observances policy at http://www.colorado.edu/policies/fac_relig.html.

Discrimination and Sexual Harassment: The University's policies on discrimination, sexual harassment, and amorous relationships apply to all students, staff and faculty. Any student, staff or faculty member who believes s/he has been the subject of discrimination or harassment based upon race, color, national origin, sex, age, disability, religion, sexual orientation, or veteran status should contact the Office of Discrimination and Harassment (ODH) at 303-492-2127 or the Office of Judicial Affairs at 303-492-5550. Information about the ODH, the above referenced policies and the campus resources available to assist individuals regarding discrimination or harassment can be obtained at <http://www.colorado.edu/odh>.

Students with Disabilities: If you qualify for accommodations because of a disability, please submit to me a letter from Disability Services **within the first two weeks of the semester** so that your needs can be addressed. Disability Services determines accommodations based on documented disabilities. Contact: 303-492-8671, Willard 322, and www.Colorado.EDU/disabilityservices. Disability Services' letters for students with disabilities indicate legally mandated reasonable accommodations. The syllabus statements and answers to Frequently Asked Questions can be found at www.colorado.edu/disabilityservices.

Text and Supplemental Readings:

The assigned textbook--*The Antitrust Revolution*, John E. Kwoka, Jr. And Lawrence J. White, eds., 5th edition, 2004, Oxford University Press--is available at the bookstore. I encourage you to keep up with the readings, in advance of their coverage in lecture. There will be additional readings from previous editions of *The Antitrust Revolution* and the trade press assigned throughout the semester. I will make these available via e-mail or through the course website.

Text and Supplemental Readings:

The assigned textbook--*The Antitrust Revolution*, John E. Kwoka, Jr. And Lawrence J. White, eds., 5th edition, 2009, Oxford University Press--is available at the bookstore. I encourage you to keep up with the readings, in advance of their coverage in lecture and discussions. Additional cases may be added due to class enrollments.

Calendar of Topics:

Part I: Horizontal Structure (Weeks 1 – 4):

****Note: The cases in this section are to be read in a different order than they appear in the book!**

- Case 7: Prices, Market Definition, and the Effects of a Merger: Staples-Office Depot
- Case 4: Sky Wars: The Attempted Merger of EchoStar and DirecTV
- Case 6: Efficiencies and High Concentration: Heinz Proposes to Acquire Beech-Nut
- Case 1: Merger Analysis in Restructured Electricity Supply Industries: The Proposed PSEG and Exelon Merger
- Case 2: Oracle's Acquisition of PeopleSoft: *U.S. v. Oracle*
- Case 5: Coordinated Effects Analysis: Cruise Lines Mergers
- Case 3: Coordinated Effects and Standards of Proof: The Arch Coal Merger

Part II: Horizontal Practices (Weeks 5 – 7):

- Case 8: Predatory Pricing in the Airline Industry: *Spirit Airlines v. Northwest Airlines*
- Case 9: Reverse Payments in Settlements of Patent Litigation: Schering-Plough, K-Dur, and the FTC
- Case 10: The Use of Bundled Rebates by a Dominant Firm: *LePage's v. 3M*
- Case 11: Global Cartels Redux: The Lysine Antitrust Litigation
- Case 12: Bidding, Bid Rigging, and School Milk Prices: *Ohio v. Trauth*

Part III: Vertical and Related Market Issues (Weeks 8 – 10):

****Note: Please skip Case 17**

- Case 13: Unfit to Be Tied: An Analysis of *Trident v. Independent Ink*
- Case 14: Exclusive Dealing and Antitrust Exclusion: *U.S. v. Dentsply*
- Case 15: Bundling: GE-Honeywell
- Case 16: Retailer-Instigated Restraints on Suppliers' Sales: Toys "R" Us

Part IV: Network Issues (Weeks 11 - 13):

Case 18: Regulation, Antitrust, and *Trinko*

Case 19: Governance, Issuance Restrictions, and Competition in Payment Card Networks:
U.S. v. Visa and MasterCard

Case 20: Maintenance of Monopoly: *U.S. v. Microsoft*

Case 21: Links Between Markets and Aftermarkets: Kodak

Part V: Individual/Team Presentations (Weeks 14 – 15)