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Department of Economics

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Class: T/Th 9:30 am - 10:45 am

Office: T/Th 11:00 am - 12:15 pm

Economics in Action: Antitrust and Regulation (4999-003)
Fall 2006

Description and Objectives:

The objective of this course is to familiarize you with two of the major instruments of competition policy—*antitrust and regulation*. Industrial Organization largely addresses imperfectly competitive market structures, firm conduct (e.g., pricing, output, quality issues, advertising and marketing, and entry and exit) in those markets, and market performance.

The course will emphasize the legal-economic concepts that form the basis for antitrust and regulation, the qualitative and quantitative tools that are useful for thinking critically about a wide variety of issues, and real world applications. Applying these skills to past, present, and prospective issues and problems will be a central focus of the course.

The course consists of four parts that will explore theory, tools, and applications involving antitrust in regulated and non-regulated industries. 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) and/or Industrial Organization (Econ 4697) to enroll in this class. No exceptions will be made for lack of the prerequisite.

Requirements, Grading, and Other Policies

Mid-Term Exam #1 (date to be announced)	25%
Mid-Term Exam #2 (date to be announced)	25%
Team Projects:	
▪ Research Paper	20%
▪ Presentation	15%
Class participation	15%

Total	100%

Grading: Grading will be based on: (1) two mid-term exams, (2) a 3-4 person team research paper and presentation, and (3) class participation (attendance and participation in class discussions). Note that there are *no* make-up exams and none will be scheduled. I will assign letter grades at the end of the semester based on a distribution of total scaled point scores.

Academic Integrity, Student Conduct, and Students with Disabilities: Students are expected to abide by the University's academic integrity, student conduct, and disabilities policies. In particular, the use of wireless telephony devices while the class is in session distracts the class from the subject matter and discussion and should be turned off *before* the start of class. In accordance with University policy, if you have specific disabilities that require accommodation, please let me know early in the semester so that your learning needs may be appropriately met. You will be required to provide documentation of your disability to the Disability Services Office.

Text and Supplemental Readings:

The assigned textbook--*The Antitrust Revolution*, John E. Kwoka, Jr. And Lawrence J. White, eds., 4th 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 various readings assigned throughout the semester. I will make these available via e-mail or through the course website.

Calendar of Topics:

Part I: Horizontal Structure

Weeks 1 - 3:	Chapter 1:	Manifest Destiny (<i>Union Pacific/Southern Pacific</i>)
	Chapter 2:	Prices, Market Definition, and the Effects of a Merger (<i>Staples/Office Depot</i>)
	Chapter 3:	Potential Competition and Local Telephone (<i>Bell Atlantic/NYNEX</i>)

- Chapter 4: Long-Distance Telephone (*MCI/Sprint*)
- Chapter 5: Crude Oil (*BP Amoco/ARCO*)
- Chapter 6: Efficiencies and High Concentration (*Heinz/Beech-Nut*)

Part II: Horizontal Practices

- Weeks 4 - 6: Chapter 7: Antitrust and Higher Education (*MIT Financial Aid*)
- Chapter 8: Bidding, Bid Rigging (*Ohio v. Trauth*)
- Chapter 9: Rapid Price Communication and Coordination (*Airline Tariff Publishing*)
- Chapter 10: Global Cartels (*Amino Acid Lysine*)
- Chapter 11: Sports Leagues (*Relocation of L.A. Rams to St. Louis*)
- Chapter 12: Brand Name Prescription Drug Litigation

Part III: Vertical and Related Market Issues

- Weeks 7 - 9: Chapter 13: Revisiting Maximum Resale Price Maintenance (*State Oil v. Khan*)
- Chapter 14: Technology Cross-Licensing Practices (*FTC v. Intel*)
- Chapter 15: Retailer-Instigated Restraints on Suppliers' Sales (*Toys R Us*)
- Chapter 16: Bundling (*GE/Honeywell*)

Part IV: Network Issues

- Weeks 10-12: Chapter 17: Links Between Markets and Aftermarkets (*Kodak*)
- Chapter 18: Access and Network Effects in the "New Economy" (*AOL-Time Warner*)
- Chapter 19: Maintenance of Monopoly (*U.S. v. Microsoft*)
- Chapter 20: Predation Policy (*American Airlines*)

Part V: Group Presentations

Weeks 13-15