

**Professor Diana Moss
University of Colorado
Department of Economics**

**Economics in Action: Antitrust and Regulation (4999-003)
Spring 2010
T/Th 9:30 - 10:45 am**

Contacts:

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Office Hours: T/Th 11:00 am - 12:00 pm, or by appointment

Course 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) or Industrial Organization (Econ 4697) to enroll in this class. No exceptions will be made.

Requirements, Grading, and Other Policies

Mid-Term Exam #1	25%
Mid-Term Exam #2	25%
Class Attendance	10%
Case Presentation	5%
Team Projects:	
▪ Research Paper	20%
▪ Presentation	15%

Total	100%

Grading: Grading will be based on: (1) two mid-term exams, (2) a case presentation, (3) two-person team 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, 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.

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: Group Presentations (Weeks 14 – 15)