

***Resource Economics 453  
Public Policy in Private Markets***

***Instructor:*** Dr. Emily Wang  
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***Class Meetings:*** TTH 1:00 – 2:15 (Stockbridge Hall 124)  
***Office Hours:*** TTH 11:30 – 12:30 (Stockbridge Hall 223)  
***TA Office Hours:*** (TBA)

***Course Objective:***

This course surveys the broad set of laws and regulations that affect competition among firms in the United States, with a special emphasis on consumer goods industries. Our purpose is to explore the economic rationale behind competition policy, the agencies that enforce them, and an overview of the most important antitrust cases. The course is primarily devoted to antitrust policies covering: a) monopolization (e.g. predatory pricing), b) collusive restraints of trade (e.g., price fixing), c) mergers, and d) vertical market restrictions. Time permitting, the last part of the course will cover what is often called “social regulation”: rules on information disclosure, advertising, labeling, and product quality. The goal of the course is to provide you with an economic framework for analyzing government regulation of industry, both from the perspective of a participant in industry and as a citizen.

The course takes a hands-on approach, meaning that a significant portion of your grade will depend on in-class work, homework assignments and casework. More details on these items are provided below.

***Integrative Experience:***

This course will satisfy the General Education Integrative Experience requirement for Resource Economics majors when taken with Res-Econ 394LI and Res-Econ 452.

*“The integrative Experience (IE) requirement at UMass Amherst addresses the challenges associated with educational fragmentation. Positioned in the upper-division, the IE provides students with a structured opportunity to look back on their early college learning experiences, reflect upon and make connections between those earlier experiences and the more advanced work in their major, and use their integrated learning to prepare for the demands of the world beyond the University.”*

In this course, you will have opportunity to reflect on prior GenEd and Resource Economics courses by engaging with current issues presented in popular press articles and completing analyses of two current market issues that reflect government regulation of industry. You will rely on your past courses and experiences as well as the analytical framework in this course to analyze the two current issues that I will assign during the course.

In this class, you will practice the following two criteria of IE:

- You will participate in a group policy analysis project, which will offer you a shared learning experience with your project teammates for applying your prior learning here at UMass Amherst to a real-world issue related to government regulation of market.
- You will have the opportunity to practice GenEd learning objectives of collaboration, critical thinking and interdisciplinary perspective-taking by completing research on your problem with your teammates and presenting your analysis to class to stimulate discussion in the class.

### **Class Material:**

#### *Required*

- *iClicker*. This is a personal response system that you will use in class to respond to questions. Available on Amazon. Clickers start counting towards your grade on Thursday, September 13th.

#### *Recommended*

- (K&W) *The Antitrust Revolution: Economics, Competition, and Policy*, 7<sup>th</sup> Edition, by John E. Kwoka, Jr. and Lawrence J. White. We will use some cases from previous editions that are not contained in the 7<sup>th</sup> edition; these cases will be posted on Moodle.
- (W&J) *Industrial Organization: Theory and Practice*, 4<sup>th</sup> Edition, by Don E. Waldman and Elizabeth J. Jensen.

### **Grades**

Grades will be determined on the basis of exams, homework, in-class work, and casework.

#### *Exams*

There will be two mid-term exams and a cumulative final exam. Of these three exams, you will be allowed to drop the lowest grade. The resulting two best grades will be used to calculate your “exam score”. The weight of this exam score toward your final grade in the course will depend on how much in-class and casework (explained later) you decide to put in. Let’s call the weight of this exam score “EW” (exam weight); I will explain this later, but for now you should know EW will represent a minimum of 60% and a maximum of 70% toward your final grade for the course. Of the two exam grades that you keep, the higher grade will receive a weight of 60% and the lowest a weight of 40% toward your EW (this will become clearer later).

***I will not allow makeup exams***; should you need to miss an exam (for any reason), the grade for this missed exam (i.e. zero) will be dropped from the exam score calculation.

#### *Homework*

Homework will consist of 6 memos; I will drop the lowest homework grade. Homework assignments will be one page, typed memos discussing topics and cases covered in lectures and readings; some (or all) of these homework assignments will be related to the cases that will be discussed in class (i.e. I will assign a

homework with a turn-in date that coincides with the day I plan to present material related to a case). Late homework will be assessed 5 penalty points per day (including weekend days) out of a total of 25 points (i.e. if you turn your homework 5 days late, you will not receive credit for it). Homework will have a weight of 20% towards your final grade.

*In-Class Work*

In-class work is made up of a number of in-class activities that include class participation through the use of clickers (e.g. polling, multiple choice questions), group activities, in-class writing, classroom experiments and short presentations. Basically, if you come to class you will be guaranteed to receive at least 90% of all of the in-class credit as long as you participate according to the participation rules (explained later). In-class work has a weight of 10% towards your final grade, and it is *optional*. This means that if at the end of the semester you have done poorly on this portion of your grade, I will increase the weight of exams by 10% (i.e. at the end of the semester I will perform a calculation to determine if it is in your best interest to drop the in-class work grade and increase EW by 10 percentage points). See next page for more clarification.

*Casework*

This work is intended to satisfy the IE requirement, thus it is mandatory. It is worth 10% of your final grade. There will be two assignments and the work will be done in groups of 3-4 students. You are free to form the groups and you will need to let me know who the group members are by **September 22nd**. Each assignment will consist of a 2,500 word essay. This essay will focus on a current/important antitrust case. I will choose and assign the antitrust case in advance and will provide you with specific issues that your essay should address. All group members will receive the same grade and you are responsible for dealing with internal conflicts that may arise during the preparation of the assignment (i.e. I will not serve as a mediator nor will I take any action or impose any penalty on any member due to disagreement regarding tasks/obligations, etc.). More details on the casework will follow in a few weeks.

*Summarizing your Grade Calculation*

As indicated earlier your exam weight (EW) can vary between 60% and 70%, depending on whether your in-class work grade is good enough (or poor enough, depending how you look at it).

<b>Coursework</b>	<b>Dates</b>	<b>Mandatory/Optional</b>	<b>Weight</b>
Exams (lowest is dropped; 60% to best, 40% to 2 <sup>nd</sup> best)	Midterm 1: 10-10 (in class) Midterm 2: 11-21 (in class) Final: 12-18, 10:30 – 12:30	Mandatory (but drop the lowest)	60%, or 70%
Homework (excluding the assignment with lowest grade)	Will notify you at least a week in advance	Mandatory	20%
In-Class Work	Almost every class	Optional	10%
Casework	Case 1: 10-06 Case 2: 11-17	Mandatory	10%
Total			100%

Final grades will be calculated according to the following minimum cutoff points:

A = 93, A- = 90, B+ = 87, B = 83 B- = 80, C+ = 77, C = 73, C- = 70, D+ = 67, D = 60 and F < 60

### **In-Class Work**

Many of the in-class work will be done through the use of clickers. We will also have classroom activities that will not require the use of clickers (i.e. some classroom experiments and some group work). On any given day, in-class work will be worth 1-3 points. About 80% of these points in the semester will be awarded for participation only (i.e. you get credit for responding, not for getting the right answer). The remaining 20% or so of these points will be given to folks that respond correctly to a clicker question. In what follows I provide I guide for the use of the *iClicker*.

- *iClicker* is an in-class communication system. It uses “clickers” to allow students to send answers in response to questions that I will pose during class. It will allow me to find out how the class grasps the material as a group and generate classroom discussions. It will allow you to check your understanding of the concepts during class.
- We will use this system every class period, and you are required to participate to earn a significant fraction of your final grade.
- For survey-type questions (blue text), you will earn full credit for participating. For quiz-type questions (red text), you will earn 50% of the points for the correct answer, and 50% to participate. As mentioned earlier, survey-type questions and half the credit of quiz-type questions will make up for about 80% of all clicker points in the semester.
- To get clicker credits, you must be present in class with your clicker and send your response to each question before the time expires. Given the nature of these assignments and the weight of each question on your final grade, under no circumstance you will be able to make-up clicker questions, including for technical problems with your clicker (it is your responsibility to monitor the life of your batteries and carry extra ones).
- Note that the purpose of the iClicker in this course is not to take attendance, thus should you forget to bring your clicker you will not receive clicker participation credits.
- To obtain clicker credits, you must register your clicker in Moodle. See below for how to register your clicker.
- Bringing a friend's clicker to class to enter responses for your friend is cheating and will be treated as such (see Academic Dishonesty section).
- **By September 12th, clicker questions start counting towards your grade.** Bring your clickers!

### **On-Line Material**

Where is material posted? *All class materials will be posted on Moodle:*

1. General course materials: **Syllabus, Reading Material.**
2. **Class Lectures.**
3. **Memos.**
4. **Case Work:** Will be posted throughout the semester under this title.
5. **Grades**

IMPORTANT: Moodle is where you should ALWAYS go to learn about announcements, upcoming exams, cases and anything important about the class. This means that you have no excuse such as: “I did not know we had an exam today” or “I did not know where to get the class notes”. Please check Moodle before you email me asking me questions about the course.

This syllabus is subject to change. I will post any changes on Moodle.

### *Your responsibilities as a student*

You are responsible for reading the assigned readings prior to class. You are also responsible for checking Moodle for updates, class materials, homework, due dates, etc. Hence there will be no excuses for not knowing what is or will be happening in the course.

### *University Statements:*

#### *Academic Honesty Statement*

Since the integrity of the academic enterprise of any institution of higher education requires honesty in scholarship and research, academic honesty is required of all students at the University of Massachusetts Amherst. Academic dishonesty is prohibited in all programs of the University. Academic dishonesty includes but is not limited to: cheating, fabrication, plagiarism, and facilitating dishonesty. Appropriate sanctions may be imposed on any student who has committed an act of academic dishonesty. Instructors should take reasonable steps to address academic misconduct. Any person who has reason to believe that a student has committed academic dishonesty should bring such information to the attention of the appropriate course instructor as soon as possible. Instances of academic dishonesty not related to a specific course should be brought to the attention of the appropriate department Head or Chair. Since students are expected to be familiar with this policy and the commonly accepted standards of academic integrity, ignorance of such standards is not normally sufficient evidence of lack of intent.

**Please be aware that this policy applies to the use of clickers!** Bringing a friend's clicker to class to enter responses for your friend is cheating and will be treated as such. At each lecture, if the number of students attending the lecture is less than the number of clicker entries, then I will stop the lecture and ask who has multiple clickers. If we do not discover who has the multiple clickers, the entire class will earn zero points for that lecture. Let's not have this happen this semester.

#### *Accommodation Statement*

The University of Massachusetts Amherst is committed to providing an equal educational opportunity for all students. If you have a documented physical, psychological, or learning disability on file with Disability Services (DS), you may be eligible for reasonable academic accommodations to help you succeed in this course. If you have a documented disability that requires an accommodation, please notify me within the first two weeks of the semester so that we may make appropriate arrangements.

***Topics and Reading Assignments (will be updated throughout the semester)***

Note: W&J=Textbook by Waldman and Jensen, K&W=Case Book by Kwoka and White

- I. Introduction to Government Policies Affecting Industry
  - A. The Operation of Markets
    - Review: W&J, Ch. 1, Introduction
    - Review: W&J, Ch. 2, Basic Theory
  - B. Rationales for Regulation and Types of Intervention
- II. Regulation of Markets: The Antitrust Laws
  - A. Overview of Antitrust Laws and Enforcement Agencies
    - On-Line Reading
    - K&W: Introduction
    - W&J: Ch. 9, subsection 9.5 (Per Se Rule Versus the Rule of Reason)
  - B. Monopolization (Sherman Act, Sec. 2; FTC Act, Sec. 5)
    - Review: W&J: Ch. 4 (Concentration in Individual Markets)
    - K&W: The Economic and Legal Context
    - W&J: Ch. 10 and Ch. 18
    - W&J: Ch. 17
    - K&W: Case 20, Microsoft
    - K&W: Case 8, Spirit v. Northwest
    - K&W: Case 10, Le Page's v. 3M
  - C. Collusive Restraints of Trade (Sherman Act, Sec. 1; FTC Act, Sec. 5)
    - 1. Overt Price Fixing
      - W&J: Chs. 8 and 9 and Ch. 18
      - K&W: Case 11, Global Cartels Redux
      - K&W: Case 12, Ohio v. Trauth
    - 2. Other Behavior That May Amount to Price Fixing
      - W&J: Ch. 18
      - K&W – 4th edition, Case 9, The Airline Tariff Publishing Case
      - K&W 4th edition, Case 7, MIT financial Aid
  - D. Merger Policy (Clayton Act, Sec. 7; FTC Act, Sec. 5; Sherman Act, Sec. 2)
    - W&J: Ch. 4
    - W&J: Ch. 19 (Merger Guidelines and the Hart-Scott-Rodino Act)
    - 1. Horizontal Mergers
      - W&J: Ch. 19
      - K&W: pp. 15-26 (Merger Guidelines)
      - K&W: Case 7, Staples-Office Depot
      - K&W, Case 6, Heinz-Beech Nut
    - 2. Vertical and Conglomerate Mergers
      - W&J: Ch. 19
  - E. Price Discrimination (Robinson-Patman Act)
    - W&J: Ch. 14
    - W&J: Ch. 19
    - 1. Secondary Line Cases
      - W&J: Ch. 19
      - K&W 4th edition, Case 12: The BNPD Antitrust Litigation
      - McCormick Case, Online

2. Primary Line Cases and Illegally Induced Price Discrimination  
W&J: Ch. 19  
K&W, Case 13, Trident v. Independent Ink
- F. Vertical Market Restrictions (Sherman Act, Sec. 1; Clayton Act, Sec. 3)
  1. Tying Agreements  
W&J: Ch. 19
  2. Exclusive Dealing and Territorial and Customer Restrictions  
W&J: Ch. 19  
K&W: Case 16, Toys “R” Us
  3. Resale Price Maintenance  
W&J: Ch. 19  
K&W: Case 17, State Oil v. Khan

### III. Regulation of Product Information and Quality

- A. Information Policies: Market Problems and Policy Options
  1. Product Standardization and Information Disclosure
  2. Regulation of Advertising and Selling Practices by the Federal Trade Commission
- B. Product Quality Policies
  1. Policy Options
  2. Example: Regulation of Food Products

Cases: will be posted online