

Spring 2020

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

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Class Meetings: Tu Th 1:00PM-2:15PM, Integ. Learning Center N101

Office Hours: E-mail me for appointment.

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 some 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 markets.
- You will have the opportunity to practice GenEd learning objectives of critical thinking, 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

- (K&W) *The Antitrust Revolution: Economics, Competition, and Policy*, 6th Edition, by John E. Kwoka, Jr. and Lawrence J. White. We will use some cases from the 4th and 5th editions that are not contained in the 6th edition; these cases will be posted on-line.
- *iClicker*. This is a personal response system that you will use in class to respond to questions. Available at checkout desks at the Textbook Annex. Clickers start counting towards your grade on Thursday, January 23.

Recommended

- (W&J) *Industrial Organization: Theory and Practice*, by Don E. Waldman and Elizabeth J. Jensen.

Academic Honesty Policy:

I expect you to follow the highest standards of academic honesty in this course. While you are welcome to discuss casework and homework assignments with your colleagues, I expect your reasoning, writing, and presentation to be your own. If I find that you have cheated on any work or exams, I will pursue the matter to the fullest extent possible under the procedures outlined in the *University of Massachusetts Amherst Code of Student Conduct*:

(https://www.umass.edu/dean_students/sites/default/files/documents/2014-2015%20Code%20of%20Student%20Conduct.pdf)

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.

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 50% and a maximum of 65% 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 whatever reason), the grade for this missed exam (i.e. zero) will be dropped from the exam score calculation. The only reason for allowing a makeup exam is an unsurmountable situation (unexpected death of a family member, severe illness, etc.), in which case you will have to notify me in advance (i.e. not 1 hour before the test or the day after the test) and bring proof of the situation (e.g. Physician’s note).

Homework

Homework will consist of 6-8 assignments; 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; in this case, I would accept a late homework via email) 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. If you come to class you will be guaranteed to receive the large majority of the in-class credit as long as you participate according to the participation rules (explained later). In-class work has a weight of 15% 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 15% (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 15 percentage points).

Casework

This work is intended to satisfy the IE requirement, thus it is mandatory. It is worth a total of 15% of your final grade. There will be two assignments and the work will be done in groups of 2-3 students. You are free to form the groups and you will need to let me know who the group members are by **February 18**. 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 50% and 65%, depending on whether your in-class work grade is good enough (or poor enough, depending how you look at it).

Coursework	Dates	Mandatory/Optional	Weight
Exams (lowest is dropped; 60% to best, 40% to 2 nd best)	1st Mid-term (Mar 10); 2nd Mid-term (Apr 23); Final Exam (TBA)	Mandatory (but you drop the lowest)	50%, or 65%
Homework (excluding the assignment with lowest grade)	TBA – 6-8 assignments	Mandatory	20%
In-Class Work	Every day	Optional	15%
Casework	Case 1: Mar 3 Case 2: Apr 7	Mandatory	15%
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

Most of the in-class work will be done through the use of clickers. We will occasionally 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 1-5 points. Most 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 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 *i>clicker*.

- *i>clicker* 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 percent of the points for the correct answer, and 50 percent to participate. As mentioned earlier, survey-type questions and half the credit of quiz-type questions will make up for most (~ 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 (about 30 seconds). 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 clicker 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).
 - **On January 23, clicker questions start counting towards your grade.** Bring your clickers!

How Do I register my i>clicker? Please follow the instructions in the following link:

<http://www.oit.umass.edu/support/ars/register-your-iclicker-remote-moodle>

On-Line Material

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

1. General course materials: **Syllabus, reading material.**
2. PPT of **class lectures.**
3. **Homework Assignments.**
4. **Case Assignments:** 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.

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: Microsoft Case
 - K&W: Spirit v. Northwest
 - K&W: 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: Global Cartels Redux
 - K&W: Ohio v. Trauth
 - 2. Other Behavior That May Amount to Price Fixing
 - W&J: Ch. 18
 - K&W: The Airline Tariff Publishing Case
 - K&W: 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: Merger Guidelines
 - K&W: Staples-Office Depot
 - K&W: 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: The BNPD Antitrust Litigation
 - McCormick Case, Online

2. Primary Line Cases and Illegally Induced Price Discrimination
W&J: Ch. 19
K&W: 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: Toys “R” Us
 3. Resale Price Maintenance
W&J: Ch. 19
K&W: 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