

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

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Class Meetings: TTH 11:30 –12:45 (Stockbridge 301)
Office Hours: E-mail me for appointment.

Course Objective:

This course surveys a broad set of laws and regulations that affect competition among firms in the United States. 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 (market power abuses such as predatory pricing), b) collusive restraints of trade (price fixing), c) mergers, and d) vertical market restrictions. 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.

Course Credits: 3

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 project on policy analysis, 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, and interdisciplinary perspective-taking by completing research on your problem with your teammates and stimulate discussion in the class.

Class Material:

Required

- (K&W) *The Antitrust Revolution: Economics, Competition, and Policy*, 7th Edition, by John E. Kwoka, Jr. and Lawrence J. White. We will use some cases from the 4th, 5th and 6th editions that are not contained in the 7th edition. The book is only optional as all 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 Tuesday, January 28.

Recommended

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

Academic Honesty Policy

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 (http://www.umass.edu/dean_students/codeofconduct/acadhonesty/).

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 (which has often happened in the past), I will pursue the matter under the Code of Conduct procedures outlined by the university.

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.

Work Expectations and 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 35% and a maximum of 60% 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).

Exam Make-Up Policy. 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 (severe illness, unexpected death of a family member, 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 if applicable (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 of these homework assignments will be related cases discussed in class (i.e. I will assign a homework prior to discussing the case in class). Late homework will be assessed 5 penalty points per day (including weekend days; in this case, I may 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, and in-class writing. 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 rules (explained later). In-class work has a weight of 25% 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 25% (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 25 percentage points).

Casework

This work is intended to satisfy the IE requirement, thus it is mandatory. It is worth a total of 20% 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 20. 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 35% and 60%, depending on whether you 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 (March 5); 2nd Mid-term (April 21); Final Exam TBA	Mandatory (but you drop the lowest)	35%, or 60%
Homework (excluding the assignment with lowest grade)	TBA – 6-8 assignments	Mandatory	20%
In-Class Work	Every day	Optional	25%
Casework	Case 1: Feb 26 Case 2: April 12	Mandatory	20%
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. 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%-90%) 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. 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 30, 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>

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.

Attendance Policy

I will not take attendance. However, note that an important portion of your grade will be determined by work done in class (see above). For example, if you are not present you will not receive an iclicker grade for that day. Also, exam and case study material comes by and large from concepts and other materials reviewed in class.

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
 - 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. 5
 - K&W (7th): The Economic and Legal Context (p. 212-28)
 - W&J: Ch. 10 and Ch. 18
 - K&W (7th): Microsoft Case (Ch. 22)
 - K&W: Spirit v. Northwest (Ch. 16)
 - K&W: FTC v. Google (Ch. 21)
 - C. Collusive Restraints of Trade (Sherman Act, Sec. 1; FTC Act, Sec. 5)
 1. Overt Price Fixing
 - W&J: Chs. 8, 9, 10
 - K&W (7th): LCD Conspiracy (Ch. 14)
 - K&W: Ohio v. Trauth
 2. Other Behavior That May Amount to Price Fixing
 - W&J: Ch. 10
 - K&W (7th): Ebooks case against Apple (Ch. 20).
 - K&W (7th): Collusion in College Sports (Ch. 12).
 - D. Merger Policy (Clayton Act, Sec. 7; FTC Act, Sec. 5; Sherman Act, Sec. 2)
 - W&J: Ch. 4
 1. Horizontal Mergers
 - K&W (7th): Economic and Legal Context (p. 2-23).
 - K&W (7th): Staples-Office Depot (Ch. 9)
 - K&W (7th): AT&T-T-Mobile (Ch. 6)
 2. Vertical and Conglomerate Mergers
 - W&J: Ch. 19
 - K&W (7th): Ticketmaster-Live Nation (Ch. 8)
 - K&W (7th): Comcast – Time Warner merger (Ch. 18)
 - E. Vertical Market Restrictions (Sherman Act, Sec. 1; Clayton Act, Sec. 3)
 - W&J: Ch. 16
 1. Exclusive Dealing and Territorial and Customer Restrictions
 - W&J: Ch. 19
 - K&W (7th): Tesla v. Franchise Laws (2017)

- K&W: Toys “R” Us
 - 2. Resale Price Maintenance
 - W&J: Ch. 19
 - K&W: State Oil v. Khan

III. Regulation of Product Information and Quality (time permitting)

- 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

All cases will be posted online