

**ECP 4403  
GOVERNMENT REGULATION OF BUSINESS  
Spring 2016**

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**OFFICE HOURS:** 7:30 – 9:30; 1:30 – 3:00 T & TH

**TEXT:** Required: *Antitrust Economics*, 2d Ed. by Roger D. Blair and David L. Kaserman

From time to time, I will provide some handouts. If you are not in class to receive them, I will not provide them to you at a later date. If you lose them, I will not provide replacement.

### **PURPOSE OF COURSE**

This course will focus exclusively on the law and economics of antitrust policy in the United States. Since the material is at the interface of antitrust law and microeconomic theory, it is an interdisciplinary challenge that will aid your understanding of economics. It will also inform you about competition policy in the United States.

We will read the second edition of *Antitrust Economics*, which David Kaserman and I wrote. These reading materials are intended to support and supplement my lectures. You are, of course, responsible for all of the course material presented in class and in the required reading.

The standard learning outcomes (SLOs) for Economics majors are available at <http://www.registrar.ufl.edu/catalog/programs/majors/alc/#e>. This course contributes to a number of SLOs. For WCBA majors: numbers 3 – 5, 7, and 9. For CLAS majors: numbers 2 – 4, 6, and 8.

### **EXAMINATION SCHEDULE**

There will be three exams during the semester. These are scheduled as follows:

Exam 1: February	9
Exam 2: March	17
Exam 3: April	14

Please clear your social calendar for these events. The exams will be given during the regularly scheduled class period and each will be worth one-third of your final grade.

These exams will involve solving problems and writing short essays. There will be no true-false, multiple choice, matching, or fill in the blank questions. You will have to explain your reasoning. An unsupported correct answer will not receive full credit. You may find it frustrating when everything you write is correct, but you lose points because your explanation is incomplete. That, however, is the nature of essay exams.

There is no curve in the class – everyone can earn an “A”. The grading scale is as follows:

A:	90 - 100
A-:	87- 89
B+:	83 - 86
B:	80 - 82
B-:	77 - 79
C+:	73 - 76
C:	70 - 72
C-:	67 - 69
D+:	63 - 66
D:	60 - 62
D-:	57- 59
E:	0 - 56

## HOMWORK ASSIGNMENTS

At the end of each chapter, there are a number of problems and questions. You should review these to see if you understand the text material. The more of these you do the better your exam performance will be.

## DETERMINATION OF FINAL GRADE

I promise to do my best to make the course requirements as clear as possible. If anything is unclear, then it is *your* responsibility to ask me for clarification. I am also delighted to respond to any questions both in and out of class throughout the semester to help you succeed in this course. Ultimately, however, the grade that you earn in this course is *your* responsibility. Please note that I do not *give* you a grade; rather, you *earn* a grade. You know what grade you need to earn or want to earn for the purposes of honors, graduation, major and minor requirements, and so forth. If, at the end of the semester, you have not earned the grade that you

initially set your sights on, I will commiserate with you. I will even shed a tear as I try to console you. But the one thing that I absolutely will NOT do is change your grade because the grade you want is different from the grade that you earned. Note that this policy applies equally to graduating seniors! Again, it is up to you to put forth the effort to earn the grade that you desire.

## **POLICY MATTERS**

The University requires that I set out my policies on certain matters so you will be fully informed about my expectations.

- 1. You are required to comply with the University's honesty policy regarding cheating and the use of copyrighted materials.**
- 2. Attendance in class is not mandatory. I believe that you should make choices to maximize your utility. But you are responsible for everything that goes on in class – all lecture materials, homework assignments, handouts, problems, and the like. In my experience, those who do not attend class regularly do not perform as well on the exams as those who do. In addition, if you do not attend class and I have no idea who you are, it is extremely difficult to write a meaningful letter of recommendation. Nonetheless, attendance is entirely up to you.**
- 3. If you plan on attending class, be on time. Late arrivals distract me and the other students in the class. Be professional and be on time. Tardiness will not be tolerated on your next job.**
- 4. If you have an excused absence, exams can be made up at a mutually agreed date.**
- 5. Each class is a business meeting. You should be prompt and prepared. Please turn off your cell phone to avoid distracting your classmates (and me!). All cell phones are to be put away. If you insist on monitoring your phone for voice mail or text messaging, you will be asked to leave the room. Being unconnected for 100 minutes or so will not prove to be fatal.**
- 6. Students with disabilities who require classroom accommodation should contact me early in the semester, so we can discuss individual needs.**
- 7. Please check your e-mail for announcements. This is *your* responsibility.**
- 8. I will go over the exams on the day that they are returned. You have one week to appeal the grades that you receive. If you do not begin the appeal process by that date, your grade will be final. Any appeal must begin with your contacting me by e-mail. If you appeal your grade, the exam will be re-graded in its entirety. The**

result may be that your exam grade may go up or it may go down depending upon the circumstances.

9. At the end of the semester, I will return Exam 3 and inform you of your final grade. After that day, I will *not* respond to any e-mail messages requesting information about course grades or exam grades. You will have to make an appointment to see me in my office.

From time to time, I will provide information in email messages (I know that this is a bit primitive). It is your responsibility to check your email regularly. I will assume that you are fully informed.

## **COURSE OUTLINE**

This outline will give you a rough road map for the course. This is ambitious (to say the least) since there is a lot of law and economics to cover. If we all work hard, we can accomplish a lot.

1. **Monopoly**
  - a. **Monopoly**
  - b. **Dominant firm**
  - c. **Monopsony**
2. **Antitrust Policy**
  - a. **Sherman Act**
  - b. **Clayton Act**
  - c. **FTC Act**
  - d. **Public enforcement**
3. **Private Enforcement**
  - a. **§4 Clayton Act**
  - b. **Damage methodologies**
  - c. **Settlements**
4. **Monopoly**
  - a. **Monopolization**
  - b. **Attempted monopolization**
  - c. **Examples:**
    1. **Moist snuff**
    2. **Bundled discounts**
    3. **Loyalty discounts**
  - d. ***Weyerhaeuser***

- 5. **Cartels**
  - a. **Price fixing and variants**
  - b. **Market division**
  - c. **Buyer cartels**
  - d. **Examples:**
    - 1. **LCD panels**
    - 2. **Reverse payments**
    - 3. **Foreclosure auctions**
  - e. ***American Needle***
  
- 6. **Oligopoly**
  - a. **Standard models**
    - 1. **Cournot**
    - 2. **Bertrand**
    - 3. **Stackelberg**
  - b. **Chamberlin**
  - c. **Problem of tacit collusion**
  
- 7. **Horizontal Mergers**
  - a. **Merger to monopoly**
  - b. **Efficiencies and welfare trade-offs**
    - 1. **Monopoly**
    - 2. **Monopsony**
  - c. **Merger Guidelines**
  - d. **St. Luke's**
  
- 8. **Vertical Integration**
  - a. **Theory**
    - 1. **Fixed proportions**
    - 2. **Variable proportions**
    - 3. **Transaction cost efficiencies**
    - 4. **Vertical mergers**
  
- 9. **Vertical Price Restraints**
  - a. **Maximum**
  - b. **Minimum**
  - c. ***Leegin***
  
- 10. **Tying**
  - a. **Theory**
  - b. **Examples**
  - c. ***Astellas***

## 11. Exclusive Dealing

- a. *American Needle*
- b. *Le Page's*

## READING ASSIGNMENTS

The following assignments are tentative, but you should keep pace so you will not have to scramble to prepare for exams. Moreover, the lectures will mean a lot more if you are prepared. Note: B&K = Blair and Kaserman.

- Jan**
- 5: Introduction, Syllabus - B&K 1
  - 7: Competition and Monopoly - B&K 2 and 3
  - 12: Monopoly, Dominant firm, Monopsony - B&K 3 and handouts
  - 14: Antitrust Laws - B&K 4
  - 19: Private Enforcement - B&K 5
  - 21: Monopoly - B&K 7
  - 26: CAREER SHOWCASE
  - 28: Monopoly - B&K 6 and 7
- Feb**
- 2: Monopoly - B&K 8
  - 4: Damages
  - 9: EXAM 1
  - 11: Cartels - B&K 9
  - 16: Cartels - B&K 9
  - 18: Cartels - B&K 10
  - 23: Cartels - B&K 10
  - 25: Oligopoly - B&K 11
- Mar**
- 1: SPRING BREAK
  - 3: SPRING BREAK
  - 8: Oligopoly and Horizontal Mergers - B&K 11 and 12
  - 10: Horizontal Mergers - B&K 12
  - 15: Horizontal Mergers - B&K 12
  - 17: EXAM 2
  - 22: Vertical Integration - B&K 14
  - 24: Vertical Integration - B&K 14
  - 29: Vertical Mergers - B&K 15
  - 31: RPM - B&K 17
- Apr**
- 5: Tying - B&K 18
  - 7: Tying - B&K 18
  - 12: Exclusive Dealing - B&K 20
  - 14: EXAM 3
  - 19: EXAM REVIEW

## ***Suggested Homework Problems***

The following suggestions are introduced to improve your understanding of the course material. They need not be turned in—you are on your own to decide how best to allocate your time. I do not have prepared solutions for you, but will be more than happy to discuss the solutions to any and all questions. Don't be bashful, just ask.

**Chapter 2: 7, 9, 13, 15, 18**

**Chapter 3: 3, 5, 8, 9, 11, 21**

**Chapter 4: 5, 8, 9, 13, 15, 16**

**Chapter 5: 1, 3, 6, 13, 20, 21**

**Chapter 6: 5, 6, 7, 10, 12**

**Chapter 7: 2, 4, 10, 11, 13, 16**

**Chapter 8: 1, 4**

**Chapter 9: 1, 3, 5, 7, 12, 17, 18**

**Chapter 10: 1, 2, 8, 14, 16**

**Chapter 11: 6, 8, 10, 12, 13**

**Chapter 12: 1, 2, 6, 7, 10, 12, 16, 18, 21**

**Chapter 14: 2, 4, 7, 9, 12, 13**

**Chapter 15: 1, 4, 5, 6, 7**

**Chapter 17: 1, 2, 5, 6, 8, 10, 13**

**Chapter 18: 1, 4, 6, 8, 10, 12, 13, 15**