

**ECO 6936
ANTITRUST ECONOMICS
Spring 2021**

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CLASS: Periods 3-4 M & W (online only)
Lectures will be pre-recorded and posted at the beginning of each class.

OFFICE HOURS: 1:00-2:30pm MW – Blair
TBA – Babka

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

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. In addition to the textbook, I will distribute some handouts on Canvas.

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.

INSTRUCTOR

Before I get into the rest of the course details, I would like to introduce myself. I received my Ph.D. in Economics at Michigan State University in 1968. I began teaching at UF in 1970 and have remained here ever since. In addition to my

teaching and research, I have been retained as an expert witness in many antitrust cases. From time to time, I will bore you with “war stories.” My current research focuses almost exclusively on antitrust economics and policy.

GRADES

Your grade will depend on your performance on eight biweekly problem sets. The 8 problem sets are each worth 10 points and the final exam is worth the remaining 20 points. There is no curve in the class, which means that 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

PROBLEM SETS

Each problem set is worth 10 percent of your final grade. The due dates are specified in the course outline. Each assignment must be turned in on or before the deadline. If you miss the deadline, you will receive a zero for the assignment, so do NOT miss the deadlines.

In answering the question or solving the problems, please provide explanations for what you are saying. Explanations will be important in your next job, so you should practice here.

ATTENDANCE

Since the lectures will be pre-recorded, attendance is meaningless – for the most part. On February 1, we will have a guest speaker who will relate his experience with a substantial antitrust victory. On that day, attendance on Zoom is mandatory. If you fail to attend, I will dock five (5) points off your final grade.

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 or the TA 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. Students with disabilities who require classroom accommodation should contact me early in the semester, so we can discuss individual needs.**
- 3. Please check your e-mail for announcements. This is *your* responsibility.**
- 4. 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 assignment will be re-graded in its entirety. The result may be that your grade may go up or it may go down depending upon the circumstances.**

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. If we fall behind, it will not be the end of the world, but let's try to keep up.

Antitrust Economics

1. Background

1. Welfare case for competition
2. Welfare case against monopoly
3. Antitrust statutes
4. Private damages

Readings: B & K 2-5

2. Monopoly

1. Section 2- Sherman Act
2. Monopolization
3. Attempted monopolization
4. Monopoly power
5. Relevant market
6. Monopolizing conduct

Readings: B & K 6-8

3. Monopsony

1. Economics of Monopsony
2. Adaptation of Section 2
3. Monopsony Power
4. *Weyerhauser* Case

Readings: Blair handouts

4. Cartels: Sellers

1. Section 1 of Sherman Act
2. Cartel Theory
3. *Per se* Rule
4. Price and non-price collusion
5. Private damage suits

Readings: B & K 9-10

5. Cartels: Buyers

1. Cartel Theory

2. Section 1 of Sherman Act
3. Sanctions
4. Private damage suits

Readings: Blair handouts, DOJ-FTC Guidance

6. Oligopoly

1. Oligopoly Models
 - i. Cournot
 - ii. Bertrand
 - iii. Stackelberg
 - iv. Chamberlin
2. Tacit collusion
3. Antitrust arsenal
 - i. Section 1 Sherman Act
 - ii. Section 2 Sherman Act
4. Circumstantial Evidence
 - i. Definition
 - ii. Ambiguity
5. Antitrust Precedents

Readings: B & K: 11

7. Horizontal Mergers

1. Section 7- Clayton Act
 - i. Market definition
 - ii. Probable economic effects
2. Horizontal merger guidelines
 - i. Market definition
 - ii. HHI
3. Agency administration
4. Economic incentives

Readings: B & K: 12; DOJ-FTC Horizontal Merger Guidelines

8. Vertical Integration

1. Definitions
2. Economic Theory
 - i. Fixed Proportions
 - ii. Monopoly- Competitive
 - iii. Monopoly- Monopoly

- iv. Numerical Example
- 3. Variable Proportions
- 4. Policy Implication

Readings: B & K: 14

9. Vertical Mergers

- 1. Section 7- Clayton Act
- 2. Vertical Merger Guidelines
- 3. Economic Effects
 - i. EDM
 - ii. RRC
 - iii. Market Foreclosure
- 4. Economic Analysis
- 5. St. Luke's

Readings: B & K: 15

2020 Vertical Merger Guidelines

Opinion in *St. Luke's*

10. Vertical Price Fixing

- 1. Maximum Resale Pricing
- 2. Minimum Resale Pricing (RPM)
- 3. Antitrust Arsenal
 - i. Section 1 Sherman Act
 - ii. Section 3 Clayton Act
- 4. Maximum Resale Price Requirements
 - i. Successive Monopoly
 - ii. *Albrecht*
 - iii. *State Oil*
- 5. RPM Economic Analysis
 - i. *Doctor Miles* (1911)
 - ii. *Leegin Creative Leather Products*

Readings: B & K: 16 & 17, *Leegin*

11. Tying Contracts

- 1. Definition
- 2. Examples
- 3. Economic Requirements
 - i. Procompetitive

- ii. Anticompetitive
- 4. Competitive Effects
 - i. Foreclosure
 - ii. Forcing
- 5. Economic Harm
 - i. Foreclosed Rivals
 - ii. Coerced Buyers
- 6. Antitrust Treatment
 - i. Per se Illegality
 - ii. Rule of reason
- 7. Antitrust Damages

Readings: B & K 18

12. Bilateral Monopoly

- 1. Definition
- 2. Examples
- 3. Economic Analysis
- 4. Solutions
 - i. Mergers
 - ii. Contracts
- 5. Antitrust Analysis

DAY-BY-DAY COURSE SCHEDULE

Session	Date	Topic	Readings/Deadlines
1	January 11	Introduction	Chapters 2-3 in B&K
2	January 13	Antitrust Laws	Chapter 4 in B&K
	January 18	No class – MLK Day	
3	January 20	Private Damage Suits	Chapter 5 in B&K
4	January 25	Monopoly 1	
5	January 27	Monopoly 2	
6	February 1	GUEST LECTURE	
7	February 3	Monopoly 3	
8	February 8	Monopsony 1	
9	February 10	Monopsony 2	
10	February 15	Cartels – Sellers 1	
11	February 17	Cartels – Sellers 2	
12	February 22	Cartels – Sellers 3	
13	February 24	Cartels – Buyers 1	
14	March 1	Cartels – Buyers 2	
15	March 3	Oligopoly 1	

16	March 8	Oligopoly 2	
17	March 10	Oligopsony	
18	March 15	Horizontal Mergers 1	
19	March 17	Horizontal Mergers 2	
20	March 22	Vertical Integration 1	
21	March 24	Vertical Integration 2	
20	March 29	Vertical Mergers	
21	March 31	Vertical Contracts 1 – Max Resale Pricing	
22	April 5	Vertical Contracts 2 – Min Resale Pricing	
23	April 7	VC 3	
24	April 12	VC 4	
25	April 14	Bilateral Monopoly	
26	April 19	Review for Final Exam	
27	April 21	FINAL EXAM	

READING ASSIGNMENTS

Read your textbook. There is a lot of good information here that will help you with your exams. 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.