



THE UNIVERSITY
of NORTH CAROLINA
at CHAPEL HILL

ECON 510: Advanced Microeconomic Theory - Course Syllabus

Meeting Times/Location: T, Th 12:30PM-1:45PM, Gardner 307

Instructor: Jeremy Petranka

Email: petranka@email.unc.edu

Office: Gardner 305A

Office Hours: W 1:00pm-3:00pm. We can also set up an appointment as needed.

Course Website: sakai.unc.edu

Prerequisite: Econ 410. Specifically, you should feel comfortable using calculus to optimize a profit function (possibly constrained), as well as be familiar with game theoretic concepts. Note we will spend 3 days reviewing these topics. If, after the review, you still feel uncertainty concerning the mathematical concepts, please come see me as soon as possible.

Required Course Materials:

- Motta, Massimo *Competition Policy, Theory and Practice* Cambridge University Press, 2004.
- Kwoka, John and White, Lawrence *The Antitrust Revolution: Economics, Competition, and Policy, 5th Edition* Oxford University Press, 2009
- TurningTechnologies Clicker - Any of the following TurningTechnologies clicker models can be used in the course. The bookstore has the ResponseCard RF LCD. If you purchase a new clicker, you are eligible for a \$10 rebate from TurningTechnologies (see below for details).
 1. ResponseCard RF - Bare bones model
 2. ResponseCard RF LCD (recommended) - Similar to the RF, but includes an LCD screen to verify your input
 3. ResponseCard XR - Upgraded model that allows numeric entry (which we will not be using)
 4. ResponseCard NXT - High-end model with all the bells and whistles

If you purchase a new ResponseCard, you are eligible for a \$10 rebate from TurningTechnologies. To redeem the rebate, go to <https://rebates.turningtechnologies.com/> and enter the rebate code RUNC5 by 2/15/2013. Please note you must submit the receipt and the clicker box. By sending them your box, you likely will be unable to sell your clicker back to the bookstore (although I'm not 100% sure). That being said, I'll be teaching this class for the foreseeable future, so finding someone to buy your clicker next semester will likely not be too difficult.



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Course Description: Since the latter half of the 19th century, antitrust law has played an increasing role in American industries. This course presents an economic analysis of monopoly power and efforts to limit monopoly power through competition policy. The course will focus on helping students understand the theoretical rationale for competition policy and on providing students with an understanding of the practice of competition policy by examining recent prominent public and private antitrust actions. We will discuss the economic analysis of the welfare implications of monopoly power and provide an overview of the legal and institutional framework of competition policy enforcement in the US. We will then address four types of anticompetitive conduct that represent the bulk of competition policy enforcement: collusion, horizontal mergers, vertical mergers, and predation.

Email: Unless otherwise notified, I check email throughout the day M-Th, and sparsely on weekends. Please feel free to email me with any questions you might have.

Grading: All graded components fall under the jurisdiction of the Honor Code. If you have any questions concerning the Honor Code Policy for this course, please ask.

- Case Pre-Quizzes: 10%
- Case Work: 10%
- Clickers/Class Participation: 10%
- HW: 10%
- Course Project: 20%
- Midterm: 20%
- Final: 20%

The numerical grading curve will be as follows: 90% and up for an A (where an “A” can be an A-, A, etc.), 80-89% for a B, 70-79% for a C, etc. If necessary, these cutoffs can be relaxed downwards.

Case Pre-Quizzes: To further explore how the theoretical concepts introduced in *Competition Policy* are enacted in actual legal contexts, we will be exploring cases presented in *The Antitrust Revolution*. Prior to the start of each case’s Case Work, you will be given an in-class quiz to ensure you read the case. The quizzes are not designed to be quantitative or highly detailed. Instead, they are designed to ensure you read the material and understand the overall theme of the case. No make-up quizzes will be given, but I will drop your lowest Pre-Quiz score.

The cases are as follows:



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|--------|--|
| Case 1 | Kwoka , Case 11 (including footnotes) [pp. 300-328], "Global Cartels Redux: The Lysine Antitrust Litigation (1996)" |
| Case 2 | Motta , Chapter 3, [pp. 101-123] "Market Definition and the Assessment of Market Power". |
| Case 3 | Kwoka , Case 6 [pp. 157-177] "Efficiencies and High Concentration: Heinz Proposes to Acquire Beech-Nut" |
| Case 4 | Kwoka , Case 14 [pp. 389-415] "Exclusive Dealing and Antitrust Exclusion: U.S. v. Dentsply (2005)" |
| Case 5 | Kwoka , Case 19 [507-529] "Governance, Issuance Restrictions, and Competition in Payment Card Networks: U.S. v. Visa and Mastercard (2003)" |

Case Work: We will be exploring the cases in detail through Case Work activities. The exact nature and grading policy of the Case Work will be different for each case, but you will be given advance notification for any preparation needed on your end. Note if you have a particular activity you would like to incorporate into the Case Work, I encourage you to let me know.

Class Participation/Quantitative Journal: "The predominant conclusion from a half-century of research is that teachers cannot simply transfer knowledge to students. Students must build their own minds through a process of assimilating information into their own understandings. Meaningful and lasting learning occurs through personal, active engagement." *Collaborative Learning Techniques*

- **Clickers:** For each class, the percentage of the available clicker points you receive will make up your daily score. Your overall clicker score (not to exceed 100) will be the higher of the two following scores:
 1. The average of your daily clicker scores plus a 20 point curve.
 2. Your Midterm\Final average.

Please note using any clicker other than your own is a violation of the Honor Code. Having another individual use your clicker is a violation of the Honor Code.

- Please respect your fellow students (and me, I suppose) by maintaining a safe, focused learning environment. Unless otherwise informed, please do not use cell phones or laptops. If you are found to be using either for any other reason (and this includes putting your cell phone in your lap then nonchalantly staring at your lap for 2 or 3 minutes), you will be



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warned once, after which your Class Participation grade will be reduced by 10% points for each episode. If you are expecting an important phone call (job interview, family illness, etc.), please notify me before class and turn your phone on vibrate.

HW: To reinforce the theoretical concepts we develop in class, you will be given homework assignments throughout the semester. They are an excellent guide for the types of quantitative questions that will appear on your Midterm/Final. **Note I encourage students to work together on the HW assignments**, although each student must submit their own solutions individually.

Course Project: The goal of the Course Project is to provide the opportunity and incentive to learn about an industry that you find interesting and to analyze the issues pertaining to antitrust law for that industry. Please refer to the Course Project documents in Sakai for details.

Midterm/Final: The Midterm exam will occur on Thursday, March 7. The Final exam will occur on Monday, May 6 from 12:00pm-2:30pm.

Each exam will consist of quantitative problems similar in nature to your HW as well as short-answer/essay questions relating to overall antitrust issues and specific case questions. If you miss the Midterm, you must file a written explanation of absence with me. I will discuss the explanation of absence with the department chair and the Dean of Students Office. If the explanation is deemed appropriate, you will be offered a makeup midterm or your final will be reweighted accordingly. If not, your final will be reweighted accordingly and your Course Grade will receive a 10% penalty. University policy applies regarding attendance for the final: you need the permission of a dean to take a make-up final exam.

Grade Changes: The statute of limitations on re-grade requests is two weeks from the time the graded assignment was made available. I reserve the right to re-grade your entire assignment.

Disabilities: If any student will require assistance or appropriate academic accommodations for a disability, please contact me after class, during office hours, or by individual appointment. You must have established your eligibility for disability support services through the Division of Student Affairs, Disability Services.

Honor Code: I have read and understand the university honor code. You should, too. It applies to this class, so please don't cheat.



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I will try my best to adhere to this schedule. However, the dates might need to be adjusted by a day or two. I will give you plenty of advanced warning if this is the case. Please note the Course Project due date will not change.

| Date | Theoretical Topics Covered | Chapters | Assignments Due |
|---------------------------------|--|-------------------------|--------------------------------|
| Thursday, January 10, 2013 | Introductions | | |
| Tuesday, January 15, 2013 | Math Review | (M) 8 | |
| Thursday, January 17, 2013 | Game Theory Review | (M) 8 | |
| Tuesday, January 22, 2013 | Basis for Antitrust Rules | (M) 2,3; (K) p. 1-27 | |
| Thursday, January 24, 2013 | Standard Antitrust Models | (M) 8 | |
| Tuesday, January 29, 2013 | Standard Antitrust Models | (M) 8 | |
| Thursday, January 31, 2013 | Dynamic Games | (M) 4 | Case 1 Pre-Quiz |
| Tuesday, February 05, 2013 | Collusion & Horizontal Agreements | (M) 4 | HW1 |
| Thursday, February 07, 2013 | Collusion & Horizontal Agreements | (M) 4 | |
| Tuesday, February 12, 2013 | Collusion & Horizontal Agreements | (M) 4 | |
| Thursday, February 14, 2013 | Case 1 Trial | (M) 5 | Case 1 Work |
| Tuesday, February 19, 2013 | Horizontal Mergers | (M) 5 | Case 2 Pre-Quiz |
| Thursday, February 21, 2013 | Horizontal Mergers | (M) 5 | HW2 |
| Tuesday, February 26, 2013 | Horizontal Mergers | (M) 5 | |
| Thursday, February 28, 2013 | Horizontal Mergers | (M) 5 | Case 3 Pre-Quiz |
| Tuesday, March 05, 2013 | Horizontal Mergers | (M) 5 | Case 2 Work; HW3 |
| Thursday, March 07, 2013 | Midterm | | Case 3 Work |
| Tuesday, March 12, 2013 | Spring Break | | |
| Tuesday, March 19, 2013 | Structuring Arguments | | |
| Thursday, March 21, 2013 | Vertical Restraints & Vertical Mergers | (M) 6 | Case 4 Pre-Quiz |
| Tuesday, March 26, 2013 | Vertical Restraints & Vertical Mergers | (M) 6 | Project Approval Form |
| Thursday, March 28, 2013 | Vertical Restraints & Vertical Mergers | (M) 6 | |
| Tuesday, April 02, 2013 | Vertical Restraints & Vertical Mergers | (M) 6 | |
| Thursday, April 04, 2013 | Case 4 | (M) 6 | Case 4 Work |
| Tuesday, April 09, 2013 | Network Effects | (M) 7, 2 | |
| Thursday, April 11, 2013 | Network Effects | (M) 7, 2 | HW4; Case 5 Pre-Quiz |
| Tuesday, April 16, 2013 | Peer Review | | Project Rough Draft |
| Thursday, April 18, 2013 | Predatory Pricing | (M) 7 | |
| Tuesday, April 23, 2013 | Class Canceled for course project | | |
| Thursday, April 25, 2013 | Predatory Pricing & Review/Catchup | (M) 7 | Project Due; HW5 (optional) |
| Monday, May 06, 2013 | 12-2:30pm Exam | | |