



Economics 345 - Fall 2016
Public Policy Towards Business

Monday, Wednesday and Friday, 12:20 p.m. to 1:10 p.m.
in Genome Sciences Bldg Rm G010

Quinton White

quintonwhite@unc.edu or arlynnq@live.unc.edu

Office: Phillips Annex 102

Office Hours: Wednesdays and Fridays, 1:15 p.m. - 2:30 p.m.

Course Description: Why is it that airplane tickets get more expensive on the day of the flight, but Broadway tickets get less expensive on the day of the show? Why did the Justice department not allow Office Depot and Staples to merge? Would consumers be better off if they could purchase cable channels individually? This course has a number of goals. First, we will develop an analytical toolkit that will allow us to examine strategic choices by firms and how those choices impact consumers. Second, looking at real world examples, we will examine how the US government has handled actual antitrust cases. We will learn how some basic mathematical concepts and a few assumptions can help us answer abstract questions about how businesses behave and, more practically, how government regulation works.

Primary Text: *Industrial Organization: Contemporary Theory and Empirical Applications*. The 3rd and 4th editions should be fine as well. Readings will refer to the 5th edition

Authors: Pepall, Richards and Norman; **ISBN-13:** 978-1118250303

Optional Text: *The Antitrust Revolution: Economics, Competition and Policy*. If you purchase this book, I would recommend the 5th edition. Some of the readings will come from earlier editions. Any required readings from this text will be posted to Sakai.

Authors: Kwoka and White (no relation); **ISBN-13:** 978-0195322972

Grade Distribution and Dates:

2 Midterms	40%	Sept. 26th and Oct. 31st
Final Exam	30%	12:00 pm to 3:00 pm, Friday Dec. 16th
Assignments	20%	
Participation\In-Class work	10%	

Course Policies:

- **Exams**

- Each midterm will be worth 20% of your grade. The final exam is cumulative and is worth 30% of your grade. It is currently scheduled for Friday, December 16th at 12 pm.
- There are no makeup exams. If you miss one midterm and your absence is excused, your final exam score will represent 50% of your grade. If you have an illness, are participating in a University-sanctioned activity, or the assignment falls on a major religious holiday that has the potential of affecting your performance, your absence will be excused. Where applicable, you must provide documentation from a coach or doctor. The scenarios above are broad but do not cover all acceptable excused absences. I reserve the right to excuse an absence, in which case your final exam will be re-weighted. If you miss an exam for any reason, you should contact me and we can decide on an appropriate course of action going forward. The final exam is mandatory and will be given at the scheduled time. The UNC Undergraduate Bulletin provides specific and narrow exceptions to this rule. If you believe you qualify for one of these exceptions, contact the Economics department chair.
- For simple scoring or adding-up mistakes, return the exam to me with a brief explanation. If there is a more substantial issue, write a typed, single paragraph explaining why you think your answer is correct, and give it to me (along with your exam). You must provide all regrade requests within a week of when the exam is returned.
- UNC facilitates the implementation of reasonable accommodations, including resources and services, for students with disabilities, chronic medical conditions, a temporary disability or pregnancy complications resulting in difficulties with accessing learning opportunities. All accommodations are coordinated through the Accessibility Resources and Service Office. In the first instance please visit their website <http://accessibility.unc.edu>, Tel:- 919-962-8300 or Email;- accessibility@unc.edu. A student is welcome to initiate the registration process at any time, however, the process can take time. ARS is particularly busy in the run-up to Finals and during Finals. Students submitting Self-ID forms at that time are unlikely to have accommodations set until the following semester. Please contact ARS as early in the semester as possible. If you are established with ARS, and will require appropriate academic accommodations, please contact me after class, during office hours, or by individual appointment.

- **Homework Assignments**

- Throughout the semester, I will assign graded homework assignments. You are permitted to work in groups, but everyone must turn in their own answers. Your work should be neat, easy to follow and well presented. If any of your assignments are messy or unorganized, then you will be required to type up the remaining assignments.
- Homework problems are designed to prepare you for exams. Not doing the assignments will have a direct effect on your grade but will, in all likelihood, have an indirect impact on your exam scores. Because exams make up 70% of your grade, it is important that you take these assignments seriously.

- **Participation and In-class work**

- Participation is a direct portion of your grade. Participation includes attendance as well as engaging in class discussion. This course offers many real world applications and I will do my best to connect recent articles, news, etc. to what we are learning. You should read and connect the ideas we discuss to stories in the popular press. A few good sources would be the New York Times, the Wall Street Journal and The Economist. I will occasionally post stories on Sakai and you may be called upon to give your thoughts.
- Throughout the semester, I will occasionally use the last ten minutes of class to give you an assignment. You should do your best on these but a good faith effort will be sufficient to earn full-credit
- You are not permitted to use electronic devices (computers, tablets, cell phones, etc.) in the classroom. If you need to use your phone (including to text) during class, please step outside the room.

- **Sakai**

- Readings, announcements and other class information will be distributed via Sakai. Please make sure you have access. Course grades will be stored and displayed on Sakai. It is your responsibility to check those grades for accuracy.

- **Honor Code**

- The UNC Honor Code governs your behavior. If you do not yet understand your responsibilities under this code, I urge you to go to <http://studentconduct.unc.edu> to learn more. I am also bound by the honor code and am required to report all cheating to the honor court. I will do my best to discourage cheating by actively proctoring exams, but there is a limit to what I can do. Ultimately, you should recognize that nothing we do in this course is worth jeopardizing your integrity over.

Tentative Course Outline:

PRN = Pepall, Richards, and Norman. The class lectures and slides are a guide to what topics are important within in each PRN chapter. You are not responsible for PRN sections we do not discuss in class.

KW = Kwoka and White. This is a book consisting of different antitrust cases. Each case is examined by an economist who worked directly on the case. There are some technical parts that we will skip. Our focus will be on the central economic ideas that they highlight. This will be a critical tool in connecting the models we develop in class to real world applications.

The number in parentheses is the approximate number of class meetings we will spend on a topic.

1. Course introduction, objectives, historical perspective (1). Readings: PRN: 1., KW: Intro and pp. 1-5
2. Review of perfect competition and monopoly (3-4). PRN: 2, KW: pp. 8-15 and NCAA case (Sakai)
3. Production and costs (1). PRN: 4.
4. Describing market structure (2). PRN: 3 KW: Office Depot-Staples Case (Case 7 in 5th ed.)

5. Monopoly product and pricing strategies (5).
 - (a) Price discrimination (3). PRN: 5 - 6.
 - (b) Bundling (2) PRN: 8. KW: GE-Honeywell (Case 15 in 5th ed.)

Midterm 1 approximately here.

6. Game theory: Assumptions and solution concepts (3). PRN: 9.1 - 9.3.
7. Oligopoly markets (4).
 - (a) Cournot competition. PRN: 9.4 - 9.6
 - (b) Bertrand competition. PRN: 10.1 - 10.2.
 - (c) Spatial markets. PRN: 10.3.
8. Oligopoly markets, extensions (3)
 - (a) Stackelberg competition. PRN: 11.1
 - (b) Dynamic interaction. PRN: 11.2 - 11.3
 - (c) Entry deterrence. PRN: 12.
9. Cartels and collusion (3). PRN: 14, KW: pp 202-209 and Lysine Case (Case 11 in 5th edition)

Midterm 2 approximately here.

10. Horizontal mergers (4). PRN: 15, KW: Sky Wars Case (Case 4 in 5th ed.)
11. Vertical relationships (3)
 - (a) Mergers. PRN: 16.1 - 16.5, KW: Airline Reservations Systems (Sakai)
 - (b) Price restrictions. PRN: 17.
 - (c) Nonprice restrictions. PRN: 18
12. Additional KW cases as time allows