

ECONOMICS 107: Economic Regulation and Antitrust Policy

Winter 2015

Lectures: MWF 12:00 – 12:50 pm in Centr 212

Prof: Herb Newhouse

email: hnewhouse@ucsd.edu

Office Hours: Tuesdays 10:15 – 11:45 am

Office: Econ 108

TA: Xuan Ding (x3ding@ucsd.edu)

Office Hours: TBA

Course webpage: <https://ted.ucsd.edu/>

This is a course on antitrust and economic regulation. First, we discuss the economic theory that should guide antitrust laws of the United States and discuss the actual current and historical antitrust laws and key antitrust cases in the context of underlying economic theory. Secondly, we discuss the costs, benefits, methods, and outcomes of economic regulation from a theoretical standpoint, and then examine the actual U.S. experience in industry case studies.

Prerequisites:

ECON 2 or 100B or 170B; and Math 10C or Math 20C or Math 31BH.

Lectures and Problem Sets:

You are responsible for all the material in the lectures and problem sets. Partial notes will be available on the class webpage before each lecture. I recommend that you print these out before hand and fill in the missing information. I'll do my best to avoid typos but you're responsible for the correct material. I want you to understand the material instead of simply memorizing it. If you miss a lecture, borrow someone's notes.

Grades:

Your grade will be determined on the basis of Clickers (10%), two Midterm Exams (20% each) and the Final Exam (50%). Alternatively clickers will count for 10%; your lower midterm will count for 10%; your higher midterm will count for 20% and your final will count for 60%. Alternatively, still, each midterm will count 20% and the final will count for 60%. The method of weighting that results in the highest grade will automatically be chosen at the end of the quarter.

Exams:

Midterm 1 will be held in class on Monday, January 26th. Midterm 2 will be held in class on Friday, February 20th. The final exam will be held on Wednesday, March 18th from 11:30am – 2:30pm. If you know in advance that you cannot make an exam, please let me know as soon as possible.

You must get the instructor's permission (in advance if possible) if you miss a midterm. If you miss a midterm for an approved reason the weight for that exam will be placed on the final. If you miss the final exam for a documented, university approved reason (ie., illness, official university trip), you will most likely receive an Incomplete for the class and will need to make-up the exam during the following quarter. If you miss the final exam for another reason (ie., oversleep) you will receive a zero for the exam. No one will be allowed to start an exam after the first person leaves it.

You are only permitted to use pens and pencils, a straight edge and a single note sheet during each exam. Calculators are **not** permitted. The note sheet can be any size up to 8.5" by 5.5" for the midterms and up to 8.5" by 11" for the final. It may **only** have handwritten notes on both sides. Typed or mechanically reproduced notes are not permitted. Do **not** attach anything to your note card. If your note sheet does not adhere to any of these conditions it will be immediately confiscated during the exam. Additionally a report may be filed with the Academic Integrity Office.

You **cannot** sit next to anyone you studied with during an exam.

Clickers:

I plan to have approximately one set of clicker questions per class. A question will first be asked and you will receive one point for answering (regardless if that answer is right or wrong). There will then be a few minutes in which you may discuss the question with a few of your classmates. After the discussion the question will be asked again and you will receive one point if your answer is correct. At the end of the quarter your clicker score will be equal to your total number of points divided by 80% of the total number of points available up to a maximum score of 100%.

The only reason the total number of points will be adjusted for an individual student is for a documented, long term (one or more weeks) illness.

Academic dishonesty:

I take academic dishonesty seriously. Any student found guilty of academic dishonesty will almost certainly earn a failing grade for the course. In addition to this sanction, the Council of Deans of Student Affairs will also impose a disciplinary penalty. For a review of UCSD policy, please see <http://www-senate.ucsd.edu/manual/appendices/app2.htm>.

Regrade requests:

Regrade requests are only permitted if the entire exam is answered in pen. Regrade requests must be made through a written statement **before** the start of class one week after the exam was first passed back. This deadline is firm! Extensions will only be permitted if you have a documented, university approved reason for missing the entire week after the exam was first passed back. If you request a regrade I may regrade your entire exam and your score could go up, down or stay the same. **Do not add or change anything on your exam if you request a regrade!**

Text:

Viscusi, Vernon & Harrington Jr., Economics of Regulation and Antitrust, 4th ed. Cambridge, MA: MIT Press: 2005.

Problem Sets:

Problem sets will be available online. Solutions will be posted and you're welcome to ask questions about them during office hours. Your best practice for the exams is to try these questions yourself first.

Preliminary Course Outline:

1. Introduction (Ch 1, 2)
2. Antitrust:
 - a. Introduction to Antitrust (Ch 3)
 - b. Oligopoly Models and Cartels (Ch 5, 6)
 - c. Horizontal Mergers (Ch 7)
 - d. Vertical Mergers and Restrictions (Ch 8)
 - e. Monopolization and Price Discrimination (Ch 9)
3. Economic Regulation:
 - a. Introduction to Economic Regulation (Ch 10, 11)
 - b. Electricity (Ch 12)
 - c. Cable Television (Ch 13)
 - d. Telecommunications (Ch 15)
 - e. Surface Freight and Airlines (Ch 17)
 - f. Oil and Gas (Ch 18)