

**Seattle University**  
**Economics 4690: Market Power and Response**

Spring 2020  
On-Line

**Syllabus**

Dr. Brian Kelly  
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Office Hours: Zoom: Seattle Time 12:00p – 12:30p and 6:00p – 6:30p, Monday and Wednesday  
Or by appointment. (Zoom preferred, or telephone)

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**Extraordinary Times**

Well, we did not see this coming. We signed up to attend Seattle University, or to teach here, in large part because of the power of shared community and face-to-face interactions. For spring quarter, we will need to adjust, doing our best with the great tools that we have for distance learning. We will have to do this with the backdrop of social distance and stress in our personal lives.

Some precepts to make this work well. We need to adjust expectations – not *lower* expectations but adjust them – for this new environment. This will mainly concern how we communicate and learn, not the substance of our material. We need to help each other out and understand that we are all moving along a learning curve.

We will not need to sacrifice learning! This is an important course with subject matter that I love. You will have the opportunity to learn it well and appreciate where it can lead you.

**Logistics – How We Are Going to Do This**

At the strong advice of the Albers administration, we will conduct this course asynchronously. That means that we will not be meeting simultaneously for class sessions. We *will* have synchronous office hours via Zoom; as shown in the header above, I have scheduled these at two different times to accommodate all plausible time zones. If you wish to discuss questions face-to-face with your classmates and me at the same time, these office hours will be one option. And I will extend the scheduled periods if we are having an active discussion.

For each topic, I will record a series of short sessions, using Zoom and posting the links for the videos on Canvas. These videos will include me talking, occasionally directly to you, more often with a screen showing a PowerPoint, a whiteboard, or a piece of paper. You will be able to watch the videos, pausing them when you need time to think about stuff or to take further notes. I will coordinate the sessions with the readings and with the assignments, of course. You need to be comfortable with using Canvas, which I figure most of you are. You will also want to be able to join Zoom sessions for our joint office hours. This is easy; I will provide details later. You are not required to have a camera, although I think it helps communication if I can see you, and it is possible to join by phone or tablet as well as computer. You will need an internet connection and I suggest using a device with a large enough screen that you can follow equations and diagrams.

## **Course Content**

Our interest is business firms, generally for-profit firms. Our questions have enormous importance both in business practice and public policy. (I will note in passing that market power by non-profits is an important and under-studied subject and may present good research topics for this course.) Some important questions:

How do firms gain market power? How does a firm earn economic profits?

What reactions do market power and economic profits provoke among customers, among suppliers, and among potential competitors?

Can economic profits be maintained, or does competition eventually destroy them?

Ethically, *should* economic profits be maintained? As a society, how do we feel about economic profits at the individual firm level, at the level of market, or at a broader level that considers all of the affected parties?

Can we identify, logically and empirically, regularities in strategies of anticipation, action, and reaction when firms battle to create or maintain economic profits?

What types of government reaction does market power provoke? What are the motivations for, and consequences of, government intervention to address market power?

These questions are closely related. When we study market power, we are combining the descriptive and analytic power of economics with guidance for business and public policy decision-making.

## **Readings**

There is no text for purchase. Please download the free text by Jeffrey Church and Roger Ware (search for “Church and Ware industrial organization” – the bepress link is very fast); read the terms of use on the second page. Church & Ware will be our resource for some of the technical material. There will be additional readings throughout the term. Whenever possible, I will post these on Canvas or on electronic reserve with Lemieux, or I will provide a link.

## **Minimum Background**

Economics 2110 (Microeconomic Principles) is the pre-requisite for this course; Economics 3110 (Intermediate Micro) is recommended. We will use differential calculus frequently, albeit not in great depth; if you have not been exposed to calculus before, you will need to put in a little time to learn the basic differentiation rules and concepts.

## Assignments and Grading

Presentations have previously been a large part of this course, but with the asynchronous format, and the difficulties that some of you may have in meeting on-line, we will not be doing these. Instead, I will gently encourage you to keep up with the material by weekly responses to discussion questions or problem-solving; depending on the task, these will either be uploaded to me or posted on a Canvas discussion board. We will have a late “midterm” that will cover the material up to, but not including, government responses (antitrust); this will be after Week 6, if we maintain the schedule. Most importantly the course includes a term paper, that is, a significant research project; your proposal for this paper will be one of your weekly assignments, probably in Week 7. There will be no final

Weekly written work (40% of overall grade): There will likely be eight of these, equally weighted in the overall grade.

Late midterm (25% of overall grade): You will download this from Canvas and will be on a clock to complete it within two hours.

Term paper (35% of overall grade): This will be a research paper, due by noon, Seattle time, on Friday June 12. This may concern either how the supply side of a market (the “industry”) is reacting to change or an analysis of a current antitrust action. You will choose the topic, although I will post a set of choices of antitrust cases if you decide to go that route. Your task will be to convey a good understanding of the economic issues in the industry or the antitrust case using the tools learned in this course. I anticipate that papers will be around 3000 – 4000 words in length, exclusive of equations, graphs, and appendices. You should aim at a quality that would allow you to use this paper as a writing and research sample for a future employer or for a graduate application. I will post more extensive instructions later. Note that one of the eight weekly assignments will be your prospectus for this paper and at the moment I intend that you should upload this to a discussion board for input from classmates.

The grading scale is shown below.

A	93 – 100	A-	90 – 92.99		
B+	87 – 89.99	B	83 – 86.99	B-	80 – 82.99
C+	77 – 79.99	C	73 – 76.99	C-	70 – 72.99

Below 70: Don't make me go there!

## Communications and Course Materials

I will communicate by Canvas announcements for the class and individual e-mails. E-mail sent directly from your SU account is a good way to contact me as well. Course materials will be posted on Canvas or accessed through Lemieux on-line reserves, electronic versions of journals, or internet links.

## Schedule

Substantively, we can divide the topics in the schedule into the following areas:

Defining firms, markets, and industries (Topics 1 & 2)

The individual firm: developing and exercising market power (Topics 3 – 6)

Response: suppliers, customers, competitors & partners (Topics 7 – 12)

Response: government antitrust and competition policies (Topics 14 – 19)

### Schedule as at April 2, 2020

- 1 - Week of April 6: Topics 1 and 2 – The Firm and the Market; Data and Data Sources
- 2 - Week of April 13: Topics 3 and 4 – The Study of Market Power; Individual Firm Costs and Revenues
- 3 - Week of April 20: Topics 5 and 6 – Basic Market Models; Sources of Market Power
- 4 - Week of April 27: Topics 7 and 8 – Classical Models of Oligopoly; Game Theory
- 5 - Week of May 4: Topics 9 and 10 – Strategic Responses: Commitment & Flexibility, Entry & Exit
- 6 - Week of May 11: Topics 11 and 12 – Dynamic Pricing Strategies; Network Effects
- 7 - Week of May 18: Topics 14\* - 16 – Antitrust Overview; Merger Policy; Abuse of Market Power
- 8 - Week of May 25: Topics 17 and 18 – Collusion; Vertical Restraints
- 9 - Week of June 1: Topic 19 – The Goals of Antitrust Policy

\* Topic 13, Market Power and Government Regulation, will be included if time permits.

### Academic Resources

- Library and Learning Commons (<http://www.seattleu.edu/learningcommons/>)  
(This includes: Learning Assistance Programs, Research [Library] Services, Writing Center, Math Lab)
- Given that the University has moved to online classes for Spring Quarter, the Writing Center is offering online appointments through asynchronous and synchronous options. Please visit <https://www.seattleu.edu/writingcenter/online-consultations/> to learn more about the online consultations or schedule an appointment through <https://seattleu.mywconline.com>
- The Albers liaison librarian is Felipe Anaya ([anayaf@seattleu.edu](mailto:anayaf@seattleu.edu)). He is a tremendous resource and can assist you in the research aspects of this course.

### Academic Policies on Registrar website (<https://www.seattleu.edu/redhawk-axis/academic-policies/>)

- Academic Integrity Policy <https://www.seattleu.edu/academic-integrity/resources-for-students/>
- Academic Grading Grievance Policy
- Professional Conduct Policy (only for those professional programs to which it applies)

### Notice for students concerning Disabilities

If you have, or think you may have, a disability (including an ‘invisible disability’ such as a learning disability, a chronic health problem, or a mental health condition) that interferes with your performance as a student in this class, you are encouraged to arrange support services and/or accommodations through Disabilities Services staff located in **Loyola 100, (206) 296-5740**. Disability-based adjustments to course expectations can be arranged only through this process.

END