

Contents

CHAPTER 1

The Fundamentals of Managerial Economics 1

- **HEADLINE:** Amcott Loses \$3.5 Million; Manager Fired 1

INTRODUCTION 2

- The Manager 2
- Economics 3
- Managerial Economics Defined 3

THE ECONOMICS OF EFFECTIVE MANAGEMENT 4

- Identify Goals and Constraints 4
- Recognize the Nature and Importance of Profits 4
 - Economic versus Accounting Profits 4
 - The Role of Profits 5
 - The Five Forces Framework and Industry Profitability 6

- Understand Incentives 10

- Understand Markets 11

- Consumer–Producer Rivalry 11
- Consumer–Consumer Rivalry 11
- Producer–Producer Rivalry 11
- Government and the Market 11

- Recognize the Time Value of Money 12

- Present Value Analysis 12
- Present Value of Indefinitely Lived Assets 14

- Use Marginal Analysis 16

- Discrete Decisions 17
- Continuous Decisions 19
- Incremental Decisions 20

- Make Data-Driven Decisions 21

- Obtaining Estimates Using Regression 22
- Evaluating the Statistical Significance of Estimated Coefficients 24
- Regression for Nonlinear Functions and Multiple Regression 26
- A Caveat 29

LEARNING MANAGERIAL ECONOMICS 29

- **ANSWERING THE HEADLINE 30**

KEY TERMS AND CONCEPTS 30 / CONCEPTUAL AND COMPUTATIONAL QUESTIONS 30 / PROBLEMS AND APPLICATIONS 32 / SELECTED READINGS 37 / APPENDIX A: THE CALCULUS OF MAXIMIZING NET BENEFITS 37 / APPENDIX B: EVALUATING THE OVERALL FIT OF THE REGRESSION LINE 38

INSIDE BUSINESS 1–1: The Goals of Firms in Our Global Economy 6

INSIDE BUSINESS 1–2: Profits and the Evolution of the Computer Industry 9

INSIDE BUSINESS 1–3: Joining the Jet Set 16

CHAPTER 2

Market Forces: Demand and Supply 40

- **HEADLINE:** Samsung and Hynix Semiconductor to Cut Chip Production 40

INTRODUCTION 41

DEMAND 41

- Demand Shifters 42
 - Income 43
 - Prices of Related Goods 44
 - Advertising and Consumer Tastes 45
 - Population 45
 - Consumer Expectations 46
 - Other Factors 46
- The Demand Function 46
- Consumer Surplus 48

SUPPLY 49

- Supply Shifters 50
 - Input Prices 50
 - Technology or Government Regulations 50
 - Number of Firms 50
 - Substitutes in Production 51

Taxes 51

Producer Expectations 53

The Supply Function 53

Producer Surplus 54

MARKET EQUILIBRIUM 55

PRICE RESTRICTIONS AND MARKET EQUILIBRIUM 57

Price Ceilings 57

Price Floors 61

COMPARATIVE STATICS 62

Changes in Demand 63

Changes in Supply 64

Simultaneous Shifts in Supply and Demand 65

● **ANSWERING THE HEADLINE 67**

SUMMARY 68 / KEY TERMS AND CONCEPTS 68 /
CONCEPTUAL AND COMPUTATIONAL QUESTIONS 68 /
PROBLEMS AND APPLICATIONS 70 / SELECTED
READINGS 73

INSIDE BUSINESS 2–1: Covid and Instant Noodles 44

INSIDE BUSINESS 2–2: International Trade Agreements
and the Supply Curve 52

INSIDE BUSINESS 2–3: Unpopular Equilibrium
Prices 56

INSIDE BUSINESS 2–4: Price Ceilings and Price Floors
around the Globe 60

INSIDE BUSINESS 2–5: Globalization and the Supply of
Automobiles 64

INSIDE BUSINESS 2–6: Using a Spreadsheet to
Calculate Equilibrium in the Supply and
Demand Model 65

CHAPTER 3

Quantitative Demand Analysis 74

- **HEADLINE:** Walmart Hoping for Another Big Holiday Showing 74

INTRODUCTION 75

THE ELASTICITY CONCEPT 75

OWN PRICE ELASTICITY OF DEMAND 76

Elasticity and Total Revenue 77

Factors Affecting the Own Price Elasticity 80

Available Substitutes 80

Time 81

Expenditure Share 82

Marginal Revenue and the Own Price Elasticity of
Demand 82

CROSS-PRICE ELASTICITY 84

INCOME ELASTICITY 87

OTHER ELASTICITIES 88

OBTAINING ELASTICITIES FROM DEMAND FUNCTIONS 89

Elasticities for Linear Demand Functions 89

Elasticities for Nonlinear Demand Functions 90

DATA-DRIVEN DEMAND CURVES 93

● **ANSWERING THE HEADLINE 96**

SUMMARY 96 / KEY TERMS AND CONCEPTS 96 /
CONCEPTUAL AND COMPUTATIONAL QUESTIONS 97 /
PROBLEMS AND APPLICATIONS 99 / SELECTED
READINGS 102

INSIDE BUSINESS 3–1: Inelastic Demand for
Prescription Drugs 80

INSIDE BUSINESS 3–2: Calculating and Using the Arc
Elasticity: An Application to the Housing Market 83

INSIDE BUSINESS 3–3: Using Cross-Price Elasticities to
Guide Strategies in Digital Markets 86

INSIDE BUSINESS 3–4: Using Big Data to Estimate
Demand Elasticities for Millions of Gamers 95

CHAPTER 4

The Theory of Individual Behavior 103

- **HEADLINE:** Packaging Firm Uses Overtime Pay to Overcome Labor Shortage 103

INTRODUCTION 104

CONSUMER BEHAVIOR 104

CONSTRAINTS 108

The Budget Constraint 108

Changes in Income 110

Changes in Prices 112

CONSUMER EQUILIBRIUM 113

COMPARATIVE STATICS 114

Price Changes and Consumer Behavior 114

Income Changes and Consumer Behavior 116

Substitution and Income Effects 118

APPLICATIONS OF INDIFFERENCE CURVE ANALYSIS 119

Choices by Consumers 119

Buy One, Get One Free 119

Cash Gifts, In-Kind Gifts, and Gift Cards 120

Choices by Workers and Managers 123

A Simplified Model of Income–Leisure Choice 123

The Decisions of Managers 124

THE RELATIONSHIP BETWEEN INDIFFERENCE**CURVE ANALYSIS AND DEMAND CURVES 126**

Individual Demand 126

Market Demand 127

● **ANSWERING THE HEADLINE 128****SUMMARY 129 / KEY TERMS AND CONCEPTS 129 /****CONCEPTUAL AND COMPUTATIONAL QUESTIONS 130 /****PROBLEMS AND APPLICATIONS 132 / SELECTED****READINGS 135 / APPENDIX: A CALCULUS APPROACH****TO INDIVIDUAL BEHAVIOR 135****INSIDE BUSINESS 4-1: Indifference Curves and Risk**

Preferences 107

INSIDE BUSINESS 4-2: The Budget Constraint and

Credit Cards 111

INSIDE BUSINESS 4-3: Price Changes and Inventory

Management for Multiproduct Firms 115

INSIDE BUSINESS 4-4: Income Effects and the

Business Cycle 117

INSIDE BUSINESS 4-5: The "Deadweight Loss"

of In-Kind Gifts 124

INSIDE BUSINESS 4-6: Public Health Centers and

Output-Oriented Incentives 128

CHAPTER 5**The Production Process and Costs 137**● **HEADLINE: Boeing Loses the Battle but Wins the War 137****INTRODUCTION 138****THE PRODUCTION FUNCTION 138**

Short-Run versus Long-Run Decisions 139

Measures of Productivity 140

Total Product 140

Average Product 140

Marginal Product 140

The Role of the Manager in the Production Process 142

Produce on the Production Function 142

Use the Right Level of Inputs 142

Algebraic Forms of Production Functions 145

Algebraic Measures of Productivity 146

Isoquants 148

Isocosts 150

Cost Minimization 151

Optimal Input Substitution 153

Data-Driven Production Functions 155

THE COST FUNCTION 156

Short-Run Costs 157

Average and Marginal Costs 158

Relations among Costs 160

Fixed and Sunk Costs 162

Algebraic Forms of Cost Functions 163

Long-Run Costs 164

Economies of Scale 165

Data-Driven Cost Functions 165

A Reminder: Economic Costs versus Accounting Costs 167

MULTIPLE-OUTPUT COST FUNCTIONS 167

Economies of Scope 167

Cost Complementarity 167

● **ANSWERING THE HEADLINE 169****SUMMARY 170 / KEY TERMS AND CONCEPTS 170 /****CONCEPTUAL AND COMPUTATIONAL QUESTIONS 171 /****PROBLEMS AND APPLICATIONS 173 / SELECTED****READINGS 177 / APPENDIX: THE CALCULUS OF****PRODUCTION AND COSTS 177****INSIDE BUSINESS 5-1: Where Does Technology Come From? 144****INSIDE BUSINESS 5-2: Artificial Intelligence and Cost-Minimizing Inputs 154****INSIDE BUSINESS 5-3: The Affordable Care Act, Employer Mandate, and Input Substitution 157****INSIDE BUSINESS 5-4: Estimating Hospital Cost Complementarities 166****CHAPTER 6****The Organization of the Firm 179**● **HEADLINE: AT&T Finalizes Acquisition of Time Warner Inc. 179****INTRODUCTION 180****METHODS OF PROCURING INPUTS 181**

Purchase the Inputs Using Spot Exchange 181

Acquire Inputs Under a Contract 181

Produce the Inputs Internally 182

TRANSACTION COSTS 182

Types of Specialized Investments 183

Site Specificity 183

Physical-Asset Specificity 183

Dedicated Assets 184

Human Capital 184

Implications of Specialized Investments 184

Costly Bargaining 184

Underinvestment 184

Opportunism and the "Hold-Up Problem" 185

OPTIMAL INPUT PROCUREMENT 186

Spot Exchange 186

Contracts 187

Vertical Integration 190

The Economic Trade-Off 191

MANAGERIAL COMPENSATION AND THE PRINCIPAL-AGENT PROBLEM 193

FORCES THAT DISCIPLINE MANAGERS 195

Incentive Contracts 195

External Incentives 196

Reputation 196

Takeovers 196

THE MANAGER-WORKER PRINCIPAL-AGENT PROBLEM 196

Solutions to the Manager-Worker Principal-Agent Problem 196

Profit Sharing 196

Revenue Sharing 196

Piece Rates 197

Time Clocks and Spot Checks 198

● **ANSWERING THE HEADLINE 199**

SUMMARY 199 / KEY TERMS AND CONCEPTS 200 /
CONCEPTUAL AND COMPUTATIONAL QUESTIONS 200 /
PROBLEMS AND APPLICATIONS 201 / SELECTED
READINGS 204 / APPENDIX: AN INDIFFERENCE
CURVE APPROACH TO MANAGERIAL
INCENTIVES 204

INSIDE BUSINESS 6-1: The Cost of Using an Inefficient
Method of Procuring Inputs 186

INSIDE BUSINESS 6-2: What Determines Contract
Length in Franchising? 190

INSIDE BUSINESS 6-3: The Role and Growth of
Outsourcing 191

INSIDE BUSINESS 6-4: Incentives Matter for
Performance 198

CHAPTER 7

The Nature of Industry 206

- **HEADLINE:** T-Mobile and Sprint Finalize Merger 206

INTRODUCTION 207

MARKET STRUCTURE 207

Firm Size 207

Industry Concentration 208

Measures of Industry Concentration 209

The Concentration of U.S. Industry 210

Limitations of Concentration Measures 211

Technology 212

Demand and Market Conditions 213

Potential for Entry 215

CONDUCT 216

Pricing Behavior 216

Integration and Merger Activity 217

Vertical Integration 218

Horizontal Integration 218

Conglomerate Mergers 219

Research and Development 219

Advertising 220

PERFORMANCE 220

Profits 220

Social Welfare 220

THE STRUCTURE-CONDUCT-PERFORMANCE PARADIGM 221

The Causal View 221

The Feedback Critique 221

Relation to the Five Forces Framework 222

OVERVIEW OF THE REMAINDER OF THE BOOK 223

Perfect Competition 223

Monopoly 223

Monopolistic Competition 223

Oligopoly 224

● **ANSWERING THE HEADLINE 225**

SUMMARY 225 / KEY TERMS AND CONCEPTS 226 /
CONCEPTUAL AND COMPUTATIONAL QUESTIONS 226 /
PROBLEMS AND APPLICATIONS 227 / SELECTED
READINGS 230

INSIDE BUSINESS 7-1: The 2022 North
American Industry Classification System
(NAICS) 213

INSIDE BUSINESS 7-2: The Elasticity of Demand at the
Firm and Market Levels 215

INSIDE BUSINESS 7-3: The Evolution of Market Structure
in the Computer Industry 224

CHAPTER 8

Managing in Competitive, Monopolistic, and Monopolistically Competitive Markets 231

- **HEADLINE:** McDonald's Futuristic Retro: CosMc's 231

INTRODUCTION 232

PERFECT COMPETITION 232

- Demand at the Market and Firm Levels 233
- Short-Run Output Decisions 234
 - Maximizing Profits 234
 - Minimizing Losses 237
- The Short-Run Firm and Industry Supply Curves 240
- Long-Run Decisions 242

MONOPOLY 243

- Monopoly Power 243
- Sources of Monopoly Power 245
 - Economies of Scale 245
 - Economies of Scope 246
 - Cost Complementarity 246
 - Patents and Other Legal Barriers 246
- Maximizing Profits 247
- Marginal Revenue 247
- The Output Decision 251
- The Absence of a Supply Curve 253
- Multipoint Decisions 254
- Implications of Entry Barriers 255

MONOPOLISTIC COMPETITION 257

- Conditions for Monopolistic Competition 257
- Profit Maximization 258
- Long-Run Equilibrium 260
- Implications of Product Differentiation 262

OPTIMAL ADVERTISING DECISIONS 263● **ANSWERING THE HEADLINE 265**

SUMMARY 265 / KEY TERMS AND CONCEPTS 266 /
 CONCEPTUAL AND COMPUTATIONAL QUESTIONS 266 /
 PROBLEMS AND APPLICATIONS 268 / SELECTED
 READINGS 272 / APPENDIX: THE CALCULUS OF
 PROFIT MAXIMIZATION 272 / APPENDIX: THE
 ALGEBRA OF PERFECTLY COMPETITIVE SUPPLY
 FUNCTIONS 273

INSIDE BUSINESS 8–1: Peugeot-Citroën of France:
 A Price-Taker in China's Auto Market 238

INSIDE BUSINESS 8–2: Patent, Trademark, and Copyright
 Protection 248

INSIDE BUSINESS 8–3: Product Differentiation,
 Cannibalization, and Colgate's Smile 258

CHAPTER 9**Basic Oligopoly Models 274**

- **HEADLINE:** Crude Oil Prices Fall, but Consumers in
 Some Areas See No Relief at the Pump 274

INTRODUCTION 275**CONDITIONS FOR OLIGOPOLY 275****THE ROLE OF BELIEFS AND STRATEGIC
INTERACTION 275****PROFIT MAXIMIZATION IN FOUR
OLIGOPOLY SETTINGS 277**

- Sweezy Oligopoly 277
- Cournot Oligopoly 278
 - Reaction Functions and Equilibrium 279
 - Isoprofit Curves 283
 - Changes in Marginal Costs 285
 - Collusion 287
- Stackelberg Oligopoly 289
- Bertrand Oligopoly 292

COMPARING OLIGOPOLY MODELS 294

- Cournot 294
- Stackelberg 295
- Bertrand 295
- Collusion 295

CONTESTABLE MARKETS 296● **ANSWERING THE HEADLINE 297**

SUMMARY 298 / KEY TERMS AND CONCEPTS 299 /
 CONCEPTUAL AND COMPUTATIONAL QUESTIONS 299 /
 PROBLEMS AND APPLICATIONS 301 / SELECTED
 READINGS 304 / APPENDIX: DIFFERENTIATED-
 PRODUCT BERTRAND OLIGOPOLY 305

INSIDE BUSINESS 9–1: OPEC Members Can't Help but
 Cheat 288

INSIDE BUSINESS 9–2: Racing to be the AI Leader 290

INSIDE BUSINESS 9–3: Price Competition and the
 Number of Sellers: Evidence from Online and
 Laboratory Markets 293

INSIDE BUSINESS 9–4: Using a Spreadsheet to Calculate
 Cournot, Stackelberg, and Collusive Outcomes 296

CHAPTER 10**Game Theory: Inside Oligopoly 306**

- **HEADLINE:** Bring Back Complimentary Drinks! 306

INTRODUCTION 307**OVERVIEW OF GAMES AND STRATEGIC THINKING 307****SIMULTANEOUS-MOVE, ONE-SHOT GAMES 308**

- Theory 308
- Applications of One-Shot Games 312
 - Pricing Decisions 312
 - Advertising and Quality Decisions 313
 - Coordination Decisions 314
 - Monitoring Employees 315
 - Nash Bargaining 316

INFINITELY REPEATED GAMES 318

Theory 318

Review of Present Value 318

Supporting Collusion with Trigger Strategies 318

Factors Affecting Collusion in Pricing Games 321

Number of Firms 321

Firm Size 321

History of the Market 321

Punishment Mechanisms 322

An Application of Infinitely Repeated Games to Product Quality 323

FINITELY REPEATED GAMES 324

Games with an Uncertain Final Period 324

Repeated Games with a Known Final Period:

The End-of-Period Problem 327

Applications of the End-of-Period Problem 328

Resignations and Quits 328

The "Snake-Oil" Salesman 329

MULTISTAGE GAMES 329

Theory 329

Applications of Multistage Games 332

The Entry Game 332

Innovation 333

Sequential Bargaining 334

● ANSWERING THE HEADLINE 336SUMMARY 336 / KEY TERMS AND CONCEPTS 337 /
CONCEPTUAL AND COMPUTATIONAL QUESTIONS 337 /
PROBLEMS AND APPLICATIONS 340 / SELECTED
READINGS 344INSIDE BUSINESS 10-1: Hollywood's (not so) Beautiful
Mind: Nash or "Opie" Equilibrium? 311

INSIDE BUSINESS 10-2: Cola Wars in India 313

INSIDE BUSINESS 10-3: Collusion in Canadian Gasoline
Markets 322INSIDE BUSINESS 10-4: Multimarket Contact and Price
Competition 324INSIDE BUSINESS 10-5: Referring Potential Customers to
Your Competitors to Deter Entry? 331**CHAPTER 11****Pricing Strategies for Firms with Market Power 345**● **HEADLINE:** Cell Phone Service Providers Let You Use
Data "For Free" 345**INTRODUCTION 346****BASIC PRICING STRATEGIES 346**

Review of the Basic Rule of Profit Maximization 346

A Simple Pricing Rule for Monopoly and Monopolistic
Competition 347

A Simple Pricing Rule for Cournot Oligopoly 350

STRATEGIES THAT YIELD EVEN GREATER PROFITS 352

Extracting Surplus from Consumers 352

Price Discrimination 352

Two-Part Pricing 356

Block Pricing 359

Commodity Bundling 361

These Two Products are Complementary: The Pricing
Strategies for Special Cost and Demand Structures 363

Peak-Load Pricing 363

Cross-Subsidies 364

Transfer Pricing 365

Pricing Strategies in Markets with Intense Price
Competition 367

Price Matching 367

Inducing Brand Loyalty 368

Randomized Pricing 369

● ANSWERING THE HEADLINE 370SUMMARY 371 / KEY TERMS AND CONCEPTS 371 /
CONCEPTUAL AND COMPUTATIONAL QUESTIONS 372 /
PROBLEMS AND APPLICATIONS 374 / SELECTED
READINGS 377INSIDE BUSINESS 11-1: Pricing Markups as Rules of
Thumb 348INSIDE BUSINESS 11-2: Is Price Discrimination Bad for
Consumers? 357INSIDE BUSINESS 11-3: Bundling to Reduce Churn in
Telecommunications 362INSIDE BUSINESS 11-4: The Prevalence of Price-Matching
Policies and Other Low-Price Guarantees 368INSIDE BUSINESS 11-5: Kroger Combines Pricing
Strategies 369INSIDE BUSINESS 11-6: Randomized Pricing in the
Airline Industry 370**CHAPTER 12****The Economics of Information 378**● **HEADLINE:** Firm Chickens Out in the FCC Spectrum
Auction 378**INTRODUCTION 379****THE MEAN AND THE VARIANCE 379****UNCERTAINTY AND CONSUMER BEHAVIOR 381**

Risk Aversion 381

Managerial Decisions with Risk-Averse
Consumers 382

Consumer Search 384

UNCERTAINTY AND THE FIRM 386

- Risk Aversion 387
- Producer Search 389
- Profit Maximization 389

UNCERTAINTY AND THE MARKET 390

- Asymmetric Information 390
 - Adverse Selection 392
 - Moral Hazard 393
- Signaling and Screening 394

AUCTIONS 396

- Types of Auctions 397
 - English Auction 397
 - First-Price, Sealed-Bid Auction 397
 - Second-Price, Sealed-Bid Auction 398
 - Dutch Auction 398
- Information Structures 399
 - Independent Private Values 399
 - Correlated Value Estimates 400
- Optimal Bidding Strategies for Risk-Neutral Bidders 400
 - Strategies for Independent Private Values Auctions 400
 - Strategies for Correlated Values Auctions 402
- Expected Revenues in Alternative Types of Auctions 403

● ANSWERING THE HEADLINE 405

SUMMARY 406 / KEY TERMS AND CONCEPTS 406 /
CONCEPTUAL AND COMPUTATIONAL QUESTIONS 406 /
PROBLEMS AND APPLICATIONS 408 / SELECTED
READINGS 411

INSIDE BUSINESS 12-1: Risk Aversion and the Value of
Selling the Firm: The St. Petersburg Paradox 382

INSIDE BUSINESS 12-2: Obfuscation to Counter Low
Internet Search Costs 385

INSIDE BUSINESS 12-3: Groucho Marx the
Economist? 392

INSIDE BUSINESS 12-4: Second-Price Auctions on
eBay 398

INSIDE BUSINESS 12-5: Auctions with Risk-Averse
Bidders 405

MODULE GROUP A**Strategies to Change the Business Environment 412****INTRODUCTION 412****MODULE 1: ENTRY PREVENTION 412**

- Limit Pricing to Prevent Entry 413
- Theoretical Basis for Limit Pricing 413
- Limit Pricing May Fail to Deter Entry 414

Linking the Preentry Price to Postentry Profits 415

Commitment Mechanisms 415

Learning Curve Effects 416

Incomplete Information 417

Reputation Effects 417

Dynamic Considerations 418

KEY TERMS AND CONCEPTS 420 / PRACTICE PROBLEMS 420

INSIDE BUSINESS M1-1: Limit Pricing and the
“Southwest Effect” 419

MODULE 2: LESSENING COMPETITION 421

Predatory Pricing 422

Raising Rivals’ Costs 424

Strategies Involving Marginal Cost 425

Strategies Involving Fixed Costs 426

Strategies for Vertically Integrated Firms 426

KEY TERMS AND CONCEPTS 427 / PRACTICE PROBLEMS 427

INSIDE BUSINESS M2-1: Justice Department Uses a
Page from Its Microsoft Playbook against Google 424

MODULE 3: RESTRUCTURING GAME TIMING 429

First-Mover Advantages 429

Second-Mover Advantages 431

KEY TERMS AND CONCEPTS 432 / PRACTICE PROBLEMS 432

INSIDE BUSINESS M3-1: First to Market, First to
Succeed? Or First to Fail? 433

MODULE 4: OVERCOMING NETWORK EFFECTS 433

What Is a Network? 433

Network Externalities 434

First-Mover Advantages Due to Consumer Lock-In 435

Using Penetration Pricing to “Change the Game” 437

KEY TERMS AND CONCEPTS 438 / PRACTICE PROBLEMS 438 / SELECTED READINGS 439

INSIDE BUSINESS M4-1: Network Externalities and
Penetration Pricing in Online Auctions 436

MODULE GROUP B**Government in the Marketplace 440****INTRODUCTION 440****MODULE 5: REGULATORY CONSTRAINT ON MARKET POWER 440**

Market Power 440

Government Tools to Constrain Market Power 441

Antitrust Policy 442

Price Regulation 445

Rent Seeking 448

KEY TERMS AND CONCEPTS 450 / PRACTICE PROBLEMS 450

INSIDE BUSINESS M5-1: European Commission Moves to Protect Small Businesses 443

INSIDE BUSINESS M5-2: Electricity Deregulation 447

MODULE 6: REGULATION OF MARKETS WITH EXTERNALITIES, PUBLIC GOODS, OR INCOMPLETE INFORMATION 453

Externalities 453

The Clean Air Act 455

Public Goods 457

Incomplete Information 460

Rules against Insider Trading 461

Certification 461

Truth in Lending 462

Truth in Advertising 462

Enforcing Contracts 464

KEY TERMS AND CONCEPTS 464 / PRACTICE PROBLEMS 464

INSIDE BUSINESS M6-1: Canada's Competition Bureau 463

MODULE 7: GOVERNMENT POLICY AND INTERNATIONAL MARKETS 466

Quotas 466

Tariffs 468

Lump-Sum Tariffs 468

Excise Tariffs 469

KEY TERMS AND CONCEPTS 470 / PRACTICE PROBLEMS 470 / SELECTED READINGS 471

CASE STUDY

Spectrum—the Spawn of Time Warner Cable and Charter Communications—Navigates Challenges from Cord Cutting and Mobile Competition 472

PREAMBLE: NOTE TO STUDENTS AND INSTRUCTORS 472

● HEADLINE 473

BACKGROUND 474

Time Warner Cable History 474

Cable Television History 474

Broadband Internet 475

BUSINESS AND MARKETS 476

Video Programming 476

Internet Services 478

Telephone 478

COMPETITION 479

Cable Companies 479

Comcast 479

Comcast/Time Warner Cable Proposed Acquisition 480

Charter Communications 480

Other Cable Players 481

Satellite 481

AT&T DirecTV 481

Dish Network 482

Telephone Providers 482

Verizon 482

AT&T 482

Other Companies 483

Online Video Distributors 483

Netflix 483

Amazon Prime Video 484

Hulu 484

Google/YouTube 484

SUPPLIERS 485

Cable Networks 485

Broadcast Networks 485

Sports Programming 486

Carriage Disputes 486

Over-the-Top Content 487

MARKET TRENDS AND CONSUMER BEHAVIOR 487

Digital Video Recorders (DVRs) 487

Cutting the Cord 488

Going Mobile 488

REGULATION IN THE CABLE INDUSTRY 488

Carriage of Broadcast Television 489

Cable Pricing Regulation 489

Net Neutrality 489

Connect America Fund 489

CHALLENGES 489

CASE-BASED EXERCISES 490

MEMOS 490

SELECTED READINGS AND REFERENCES 497 /

APPENDIX: EXHIBITS 498

Glossary 502

Additional Readings and References 509

Name Index 528

General Index 534