

Economic Strategies and Competition Policy

Instructor: D. Yannelis

1. Course outline

It is well known that maximization of welfare is attained when markets behave competitively. However, in practice these markets are almost non-existent and behave in a monopolistic or oligopolistic manner. Therefore, firms tend to apply strategies and commercial policies that harm competition and the competitive process.

Regulation, either in ex ante or ex post form (known as competition policy) is therefore, necessary so as allocative and productive efficiency are achieved. Even when markets are deregulated or liberalized as in telecommunications, energy, transport, gas, water supply and other industries, regulation is still necessary for the smooth transition to market liberalization. Furthermore, competition policy must protect competition and consumers by implementing the rules of competition law when firms exercise anticompetitive behavior such as cartel formation or abuse of dominant position. The course deals with the anticompetitive strategies that apply in all sectors of the economy and the protection of competition and the application of antitrust rules. The economic and legal framework will be examined and case studies will be analyzed that deal with the abuse of dominant market power, collusion and concerted practices, mergers and acquisitions and any anticompetitive behavior that violates competition law. Examples will be drawn from the Greek, European and the international markets.

The course will be particularly useful to those who intend to be employed in large enterprises or banks that often violate the competition law by applying anticompetitive strategies. It will be also useful to those interested in filling positions on regulatory bodies such as the National Regulatory Committee for Telecommunications and Posts (EETT), the National Energy Committee (PAE), National Radio and Television Committee (EPΣ) and National Competition Committee (EA).

2. Course objectives

The objectives of the course are:

- To familiarize students with the concept of regulation and antitrust policies in a market structure that is not competitive
- To provide students with the necessary tools so that they will be able to apply them in practice
- To analyze the behavior, strategy and goals of firms in a non-competitive environment
- To provide knowledge on how competition law is applied in anticompetitive behavior
- To provide case studies that will support the theoretical analysis and enhance the intuition and conception of students on antitrust issues

At the end of the course students will be able to answer questions such as: What determines the extent of competition? What is the effect of the number of firms on

prices, investment and product variety? What industry conditions are conducive to cartel formation? Under what conditions an industry is dominated by a firm? How is competition law applied in antitrust cases? What strategies firms employ in order to increase market share?

3. Textbooks and Reading

The main textbook for the course is:

Massimo Motta, *"Competition Policy: Theory and Practice"*, Cambridge: Cambridge University Press, 2004

Complementary reading:

Παναγιώτης Φώτσης, «*Βιομηχανική Οργάνωση και Πολιτική Ανταγωνισμού*» Προπομπός, 2013

Further reading:

David Besanko, David Dranove, Mark Shanley and Scott Schaefer, *"Economics of Strategy"* John Wiley and Sons 6th ed. 2013.

W. Kip Viscusi, J. Harrington Jr. and J.M. Vernon *"Economics of Regulation and Antitrust"* 4th ed. MIT press, 2005.

Michael D. Whinston, *"Lectures on Antitrust Economics"*, Cambridge: MIT Press, 2006.

Ν. Βέττας και Γ. Κατσουλάκος, «*Πολιτική Ανταγωνισμού και Ρυθμιστική Πολιτική*» Αθήνα: Τυπωθήτω Δαρδανός, 2004.

4. Grading

- a) Students must complete a case study on a topic of their choice that deals with antitrust issues and present it in the class. The case study will have a 50% weight on the final mark.
- b) Final exam 50% weight on the final mark

5. Detailed Schedule

Week 1: Introduction to Competition Policy, Tools, Methods, Aim

Week 2: Efficiency and technical progress, monopoly versus competition, welfare loss from monopoly

Week 3: Market definition, SSNIP test, after markets

Week 4: Oligopoly, collusion and antitrust, game theory, collusion, concerted practices or tacit collusion

Week 5: Market structure and strategic competition, concentration, dominant firm theory, contestability

Week 6: Mergers, Horizontal mergers, Vertical Mergers, Conglomerate mergers, anticompetitive effects

Week 7: Vertical relations, exclusive dealing, resale price maintenance, exclusive territories

Week 8: Theory of natural monopoly, welfare loss of monopoly, x-inefficiency, permanent and temporary natural monopoly

Week 9: Monopolization and price discrimination, measuring monopoly power, intent to monopolize, essential facility doctrine

Week 10: Tying, bundling, network effects, switching costs

Week 11: Franchise Bidding, competition at the bidding stage, contractual arrangements

Weeks 12 and 13: Presentation of case studies and discussion of selected applied issues. Final overview.