

M.Sc. Program in Economic and Business Strategy
Department of Economics
University of Piraeus



Module Guide
“Economic Strategies and Competition Policy”

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1. Course Description

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 Telecommunications and Post Commission (EETT), the Regulatory Authority for Energy (PAE), the National Radio and Television Committee (EΣP) and the National Competition Commission (EA).

2. Course objectives

The learning 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 familiarize students with the concept of cost and pricing strategies in industries with Significant Market Power
- 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 students with the necessary competition tools so that they will be able to apply them in practice
- 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 do firms employ to increase market share?

3. Grading

- a) Students must complete one case study that deals with antitrust issues and present it in class. The case study will have a total 40% weight on the final mark.
- b) Final exam 60% weight on the final mark.

4. 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, quantitative techniques to delineate relevant markets

Week 4: Oligopoly, collusion and antitrust, game theory, explicit collusion, tacit collusion, leniency program, case studies

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

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

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

Week 8: Theory of natural monopoly, welfare loss of monopoly, x-inefficiency, regulatory tools (Price Cap Regulation, Rate of Return Regulation)

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

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

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

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

5. Textbooks and Reading

The main textbook for the course is:

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

Complementary reading

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

Additional 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.
- Selected list of papers will be handed during lectures.