

# COMPETITION POLICY THEORY AND PRACTICE

## PP371

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Office Hrs: by appt

### COURSE OVERVIEW

This course presents an economic analysis of monopoly power and efforts to limit monopoly power through competition policy. The course will focus on helping students understand the theoretical rationale for competition policy and on providing students with an understanding of the practice of competition policy by examining recent prominent public and private antitrust actions. The first part of the course is devoted to an economic analysis of the welfare implications of monopoly power. The second part provides an overview of the legal and institutional framework of competition policy enforcement with particular emphasis on how the framework differs between the US and the EU and other countries. The final part of the course will address three types of anticompetitive conduct that represent the bulk of competition policy enforcement: collusion, and horizontal and vertical mergers, and anticompetitive unilateral conduct. This section will present detailed case studies of recent antitrust actions in the US.

### COURSE MATERIAL

Recommended texts include: Lectures in Antitrust Economics by Michael Whinston (Cambridge University Press) and Competition Policy by Massimo Motta (Cambridge University Press). Varian's Intermediate Microeconomics should prove to be a useful resource for reviewing standard concepts. Lecture notes will be available on the chalk site. Supplementary readings come from various sources including several articles from the Journal of Economic Perspectives which are available on JSTOR. Additional readings will be made available on chalk throughout the quarter.

### REQUIREMENTS

There will be 3 problem sets which will count for 10% of your final grade each. There will also be final exam that will count for 35% of your final. Students will also be required to write a short paper. This assignment is described in more detail below. This report will count for the remaining 35% of your final grade, and it is due the last day of class.

## OUTLINE

### **I. THE WELFARE EFFECTS OF MONOPOLY POWER**

1. Lecture Notes.
2. Motta, Chapters 2 and 8.
3. Baker, Journal of Economic Perspectives, Autumn 2003.

Weeks 1-3

Problem Set #1 Week 3

### **II. COMPETITION LAWS IN THE US AND AROUND THE WORLD**

1. Whinston, Chapter 1.
2. Motta, Chapter 1.
3. Kovacic and Shapiro, Journal of Economics Perspectives, Winter 2000.
4. Carlton, Journal of Economics Perspectives, Summer 2007.

Week 4

### **III. COLLUSION**

1. Whinston, Chapter 2.
2. Motta, Chapter 4.
3. McAfee and McMillian, Journal of Economics Perspectives, Winter 1996.
4. Christie and Schultz, Journal of Economics Perspectives, Summer 1995.

Week 5

Problem Set #2 Week 6

### **IV. MERGERS**

1. Whinston, Chapter 3.
2. Motta, Chapter 5.
3. DOJ and FTC Merger Guidelines

Weeks 6-7

### **III. ANTICOMPETITIVE PRACTICES**

1. Whinston, Chapters 4.
2. Motta, Chapters 6 and 7.
3. Gilbert and Katz, Journal of Economics Perspectives, Winter 2001.
4. Klein, Journal of Economics Perspectives, Winter 2001.
5. Whinston, Journal of Economics Perspectives, Winter 2001

Weeks 8-10

Problem Set #3 Week 8

## **FTC REPORT**

In 2008, Whole Foods announced its intention to buy Wild Oats. The Commissioners of the FTC examined the competitive effects of the merger and voted to oppose the merger on the grounds that it would reduce competition and harm consumers in the “Premium Natural and Organic Supermarket” market. Your assignment is to write an opinion as if you had been FTC commission voting on whether to oppose the merger. In your opinion, you will need to address the following questions. Is the “Premium Natural and Organic Supermarket” market a relevant antitrust market? In which geographic markets, if any, would the merger create monopoly power and harm consumers? Are their efficiency effects that offset any reduction in competition? Would the merger lead to entry of new competitors?

In writing your report, you will have at your disposal all of the publicly available information on this case. I will provide you with these materials later in the course.

Your report should be no more than 4000 words.