

COMPETITION POLICY THEORY AND PRACTICE

PP371

Fall 2019

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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). The Goolsbee, Levitt, and Syverson Microeconomics textbook should prove to be a useful resource for reviewing standard concepts. Lecture notes will be available on the Canvas site. Other articles listed below are also on the Canvas site.

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 finals week. Grades will be curved to comply with Harris School's recommended grade distribution.

SCHEDULING

The final exam is scheduled for Wednesday December 11 at 5:00 pm. Any requests to take the final at an alternative day or time have to be cleared by the Dean of Students. We will not have class on 11/27 which is the Wednesday before Thanksgiving. That class will be rescheduled for another date in November based on the availability of the students.

ACADEMIC DISHONESTY

All University of Chicago students are expected to uphold the highest standards of academic integrity and honesty. Among other things, this means that students shall not represent another's work as their own, use unhallowed materials during exams, or otherwise gain unfair academic advantage. All students suspected of academic dishonesty will be reported to the Harris Dean of Students for investigation and adjudication. The Harris policy and procedures related to academic integrity can be found at <https://harris.uchicago.edu/gateways/current-students/policies>.

COURSE OUTLINE

I. THE WELFARE EFFECTS OF MONOPOLY AND IMPERFECT COMPETITION

1. Lecture Notes.
2. Motta, Chapters 2 and 8.
3. Goolsbee, Levitt, and Syverson, Chapters 9-12

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, Competition Policy in the EU and the US: Convergence or Divergence.

Week 4

III. COLLUSION

1. Whinston, Chapter 2.
2. Motta, Chapter 4.
3. Levenstein and Suslow, What Determines Cartel Success?
4. US DOJ, An Antitrust Primer for Federal Law Enforcement Personnel

Week 5

Problem Set #2 Week 6

IV. MERGERS

1. Whintson, Chapter 3.
2. Motta, Chapter 5.
3. DOJ and FTC Merger Guidelines
4. Shapiro, Mergers with Differentiated Products

Weeks 6-7

III. UNILATERAL CONDUCT

1. Whinston, Chapters 4.
2. Motta, Chapters 6 and 7.
3. Durkin, Distinguishing Between Market Power and Monopoly Power in a Section 2 Exclusion Case
4. Durkin, The Competitive Effects of Loyalty Discounts in a Model of Competition Implied by the Discount Attribution Test

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.