

# **COMPETITION POLICY THEORY AND PRACTICE**

**PP371**

**Fall 2022**

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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). 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. Students may work together on the problem sets but must turn in individual answers. 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 will take place as scheduled by the Harris school. Any requests to take the final at an alternative day or time have to be cleared by the Dean of 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. Motta, Chapters 2 and 8.
2. Goolsbee, Levitt, and Syverson, Chapters 9-12

Weeks 1-2

Problem Set #1 Week 2

### **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 3

### **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 4

Problem Set #2 Week 6

### **IV. MERGERS**

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

Weeks 5-6

### **VI. 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 7-8

Problem Set #3 Week 8

### **VII. ANTITRUST ENFORCEMENT OF BIG TECH**

1. US DOJ v. Google, Complaint

2. Epic Games v. Apple, Order
3. FTC v. Facebook, Memorandum Opinion

Week 10

## **REPORT**

In 2013, Valassis sued News America Marketing alleging that its exclusive contracts with retailers and predatory payments to retailers excluded Valassis from competing and gave New America a monopoly in the market for third-party in-store advertising. Your assignment is to evaluate the economic evidence contained in the reports of the economic experts and presented at the trial and write a report explaining how you would have voted, if you had been a juror in the trial. Your report should address the following questions the jury was asked and provide an explanation for your answers. Is the relevant market third-party in-store advertising or is the market broader? Did News America have monopoly power in the relevant market? Did News America's exclusive contracts foreclose Valassis and harm competition in the relevant market?

In writing your report, you will have at your disposal publicly available version of the expert reports, the relevant trial transcripts, and demonstratives used at trial. These will be available on Canvas.

Your report should be no more than 4000 words.