Economics Competition Policy and Regulation

This Syllabus Template is based on Syllabus Guidelines (Annex 3 to Policy on Degree Programs)

COURSE SYLLABUS

Economics of Competition Policy and Regulation

Instructor: Gergely Csorba
Department: Economics, Central European University
Semester/term, year: Winter term, 2018/2019
Course level (MA, PhD): MA
# Credits (# ECTS Credits): 4(8)
Pre-requisites (if applicable): 1st year core courses on Microeconomics and Empirical Methods as taught at the Economic Policy Master level are sufficient. The course builds on microeconomic thinking, but does not develop formal models, only sometimes discusses their results. No legal background is needed at all, all the necessary legal and institutional background will be shortly introduced.

Course e-learning site: At the usual place. You can check last years' courses on Competition Policy and Economics of Regulation – please note that these were two separate courses before that are now merged, and especially the latter was a bit different than the current one.
Office hours: on appointment before or after class.

Course Description
The course gives an overview of the economic concepts, theoretical and practical approaches used in the regulation of network industries and in the main areas of European competition law: restrictive agreements (§101 of the EU Treaty), abuse of dominance (§102 of the EU Treaty) and merger control. We will concentrate on the regulatory policies and approaches applied in industries where the core of the problem lies in the significant market power of one or several firms, and so their market behavior might need to be regulated. However, we will also frequently discuss the danger of overregulation and why one should intervene only when necessary. Note that the course gives more weight to Competition Policy than Economic Regulation and gives a more comprehensive overview of the former. Within Economic Regulation, we only touch some of the more classical issues.
The aim of the course is to demonstrate how the "economic approach" can contribute to the application of regulatory and competition policies, but also to acknowledge its limitations. The course focuses on applications in European cases, but it can also be useful to theory-oriented economists interested in real markets or for students who want see a legal field where microeconomic principles learnt are regularly applied.

Learning Outcomes
Experience in this field can only be gained through readings and discussion, so we will build on these grounds. Students can expect to get familiar with
- identifying market distortions and possible ways to overcome them;
- how to use economic thinking to support regulatory or competition policy (or other legal) arguments;
- how to read policy documents and find the economically relevant parts;
how to summarize legal reasoning for economists and economic reasoning for lawyers or policy / decision makers;

how to use empirical evidence to back up economic thinking in a way that is as robust as possible, but also comprehensible to lawyers and policy makers;

how to present a case from the point of view of both parties in a case;

how to find the necessary compromises economic reasoning has to take in this environment.

Course requirements

- **40% (or 60% if you do not choose the paper at the second point) based on a written exam at the end of term.** It will be an "open book exam", you can bring any materials with you for the exam. You can check some previous exams uploaded at e-learning site.

- **Optional 20% based on an individual term paper (10-12 pages) on a selected topic.** The topic can be either connected to Economic Regulation or to Competition Policy. See guidelines and topic suggestions that will be available at the e-learning site. Deadline of submission: end of exam period (exact date to be specified later). You should make a binding decision of writing the paper BEFORE starting the exam. You cannot write the paper on a topic covered by any of your seminar presentations.

- **2*20% based on two seminar presentations.** The cases we discuss will be classical Competition Policy cases, as there are much more publicly available information on these. See guidelines and details on each case at e-learning site.

- **Bonus 5% based on active class participation** (you can still have 100% without this part).

More details

- From the second week on, usually the first part of the second lecture in the week will be a seminar, lasting about 60 minutes, and then the second part a shorter lecture (40 minutes).

- On each seminar, we debate a real Competition Policy case from the last 15 years in courtroom-like environment where one student acts for the Competition Authority (plaintiff) and another defends the firms. See guidelines and details on each case at e-learning site.

- Core textbook on Competition Policy parts: Bishop - Walker (2010, make sure you use 3rd edition), *Economics of EC Competition Law: Concepts Applications and Measures* (abbreviated as BW). A quite good book written by two economic consultants, most parts can be consumed even by lawyers, with lot of practical examples and policy discussions. Mostly non-technical, but some complementary chapters also provide more details on economics background and quantitative methods.

- Core textbook on Regulation parts: Viscusi-Vernon-Harrington (2005), *Economics of Regulation and Antitrust* (referred as VVH). The core chapters did not change considerably between editions, but the latest recent 4th edition contains more fresh empirical data, plus later chapters on social regulation (that we actually do not cover) are more updated.

- Sometimes I will summarize additional relevant policy papers connected to each week's material, these will be also uploaded to the e-learning site.
WEEKLY COURSE SCHEDULE
The additional policy papers to be read will be uploaded to the e-learning site, but you can also download them from the European Commission's website. At the end of all lecture notes, there will be also a guidance on which parts of the selected sources will be important.

1. Introduction to the theoretical and institutional framework of Economic Regulation and Competition Policy: objectives, (in)efficiencies, basic economic models of market power to build on
   - BW Chapters 1 and 2; selected parts of VVH Chapters 1, 2 and 10
2. The concept of market power and the relevant market, entry and entry regulation
   - BW 3 and 4; selected parts of VVH 6 and 16
   - Commission Notice on the definition of relevant market 1997
3. Geographical markets, empirical techniques for defining relevant markets and measuring market power
   - BW 4 and selected parts of 10 and 13
4. Cartels and damage estimation
   - BW 5 and selected parts of 17
5. Pro- and anticompetitive aspects of horizontal and vertical agreements
   - BW 5
   - Selected parts of the EC Horizontal Guidelines 2010
   - Selected parts of the EC Vertical Guidelines 2010
6. Vertical agreements. The concept of dominance
   - BW 6
   - Selected parts of EC §102 Guidance Paper 2009
7. Exploitative abuses of dominance (excessive pricing, price discrimination) and various form of price regulation
   - BW 6, selected parts of VVH 11-12
8. Exclusionary abuses by horizontal methods (predation, discounts, bundling) and connections to regulatory questions
   - BW 6, selected parts of VVH 15
   - Selected parts of EC §102 Guidance Paper 2009
9. Exclusionary abuses by vertical methods (margin squeeze, refusal to deal) and connections to regulatory questions
   - BW 6
   - Selected parts of EC §102 Guidance Paper 2009
10. Horizontal mergers: institutions and unilateral effects
    - BW 7
    - Selected parts of EC Horizontal Merger Guidelines 2004
11. Horizontal mergers: coordinated effects
    - BW 7
    - Selected parts of EC Horizontal Merger Guidelines 2004
12. Non-horizontal mergers
    - BW 8
    - Selected parts of EC Non-horizontal Merger Guidelines 2008