

Dr. Nadia Soboleva
Email: nadia.soboleva@utoronto.ca
Web: <http://homes.chass.utoronto.ca/~soboleva/>

University of Toronto

ECO422F Special Topics in Economics: Competition Policy

Fall 2019

L5101 Wed 5-8 UC261

Objective: The primary objective of this course is to provide a systematic analysis of economic issues in competition policy. This will include analysis of economic theory of antitrust as well as applications in policy documents and cases.

Textbook: We will be using Church, Jeffrey and Roger Ware (2000) *Industrial Organization: A Strategic Approach*, Toronto: McGraw-Hill, 2000, textbook which is freely available for non-commercial purposes at https://works.bepress.com/jeffrey_church/23/. The textbook will be heavily supplemented with other readings, posted on Quercus.

Course Website and Course Materials: We will use the University's learning management system, Quercus, to post information about the course. Information and resources will be posted regularly as we move through the term, so please make it a habit to log in to the site on a regular, even daily, basis.

General Requirements: There are two components to the course.

1. *Theory.* The theory component follows the textbook closely. You are responsible for the textbook material listed in the outline unless otherwise indicated in class.
2. *Real world applications of theory.* The study of competition policy is not an academic exercise. It is a reasoned response to practical problems. To understand competition policy, it is necessary to know the practical problems that are involved. To learn about these problems, there will be extensive required readings drawn from accessible sources. The readings will not be always covered in class, but will be referred to in exam questions. To keep the content of the course current, new readings may be added during the course if and when a new interesting competition policy issue arises.

This course emphasizes learning via reading, research, and original analysis. **Success requires substantial preparation every week.** The amount of required readings and work involved in the research paper are only manageable if you make a steady weekly progress.

Marking Scheme: The final course mark will be determined as following:

- Midterm exam (in class, during regular class time, October 23, room TBA) – 30 percent
- Research paper (due in class at the beginning of the class on December 4th) – 40 percent
- Final exam (non-cumulative, scheduled by the University, room and time TBA) – 30 percent

Total – 100 percent

If a student misses the midterm exam due to illness and presents a medical note within one week of the test, a make up exam will be offered. The only medical note that will be accepted is the University of Toronto medical certificate <http://www.illnessverification.utoronto.ca/index.php>.

If a student misses the final exam, they must petition their college registrar to write a deferred examination. <https://sidneysmithcommons.artsci.utoronto.ca/i-cant-make-a-test-or-exam-what-do-i-do/>

Research Paper: Students will be expected to write a paper (approximately 15 pages, double-spaced, typed in 12 point typeface with standard margins) reviewing an important Canadian or foreign

Dr. Nadia Soboleva
Email: nadia.soboleva@utoronto.ca
Web: <http://homes.chass.utoronto.ca/~soboleva/>

antitrust case. You must review the facts of the case, the positions taken by the parties, and the economic theory of the case, and provide a critique of the final judgment. You may also choose to research the case where the final judgment have not been issued (such as ongoing Canadian bread price fixing conspiracy or proposed Air Canada's acquisition of Transat), which would be a more difficult task but perhaps a more interesting one. You may also choose to incorporate a post-merger review in your analysis if you chose a previously approved merger as your project. You must submit a written short description of the project (1/2 to 1 page) **before 5pm on October 30th by e-mail to the instructor**. Of the 40 percent grade allocated to paper, 5 percent is based on providing an acceptable topic description by this deadline, the remaining 35 percent will be based on the paper itself. **The final paper is due on Wednesday, December 4th, at the start of the class and should be e-mailed to the instructor nadia.soboleva@utoronto.ca. I will not accept papers after the deadline, and you will receive a mark of zero for your paper if you miss the deadline. I will accept papers prior to the deadline if you want to increase your chances of not missing the deadline.**

Tips for writing the papers:

1. Seek balanced sources, do not get caught getting all your information from one side of the contentious issue. Often only one side is well represented on the web for example.
2. The paper must include a concise, well-reasoned analysis of economic arguments, not public relations fluff.
3. The format of your references is not important, but you must have references for all your factual statements and they must be complete (date, issue, publisher, URL, specific page you are citing). All data must be attributed to its source and be easily replicable. When you draw from some source in your text, cite the source at that point. Every factual statement must have a footnote with the source. It is not sufficient to have a long list of references at the end and it is not sufficient to cite a source without specific pages.
4. Include original thought – this is not simply a “book report”. But your ideas and arguments must be supported with data and/or careful references to specific economic theory.
5. Successful writing involves multiple revisions of the draft.
6. Use the spell check.
7. Include a title page with the title, the course number, your name, and student number, and the date. Number your pages.
8. Possible cases for paper (you may choose a case that it is not on this list so long as all materials you will rely upon are in English, identified in your sources, and readily available for review by the instructor):
 - a. Price fixing cartels - Chocolate (2015 Canada, 2015 US), Libor (2012 - ongoing US, UK, EU, Canada), Vitamins (1999 Canada, 1999 US), Lysine (1998 Canada, 1999 US, 2000 EU), DRAM (2007 US), Air Cargo (2009 Canada, 2010 EU, 2011 US)
 - b. Abuse of dominance/monopolization/predation – Qualcomm (2019 US or 2019 EU), Google (2019 EU), Microsoft (2001 US), Canada Pipe (2008 Canada), Interac (1996 Canada), air Canada (2003), Visa/MasterCard (various years, US EU, AU, NZ, Canada)
 - c. Vertical restraints, refusal to deal – American Express (2018 US), Xerox Canada (1990)

Dr. Nadia Soboleva
Email: nadia.soboleva@utoronto.ca
Web: <http://homes.chass.utoronto.ca/~soboleva/>

- d. Mergers - CVS-Aetna 2019 US merger, Air Canada-Canadian Airlines 1999 Canada merger, Superior Propane 2002 Canada, Staples/Office Depot 1997 US

Miscellaneous notes: Class attendance is not required. However, the students are responsible for all material covered in class, in the textbook, and in the required readings posted on the class website on Quercus. Because class attendance is not required, those attending the class are expected to participate in class fully, without distractions of social media, text messaging, and idle chatter.

Contact information: Lectures are 5:10 pm-7pm. The third hour, 7-8pm is reserved for tutorials as needed which will be announced ahead of time in class and on the course website. I will also be using that hour in lieu of office hours for any questions you wish to discuss in person. You may also contact me by email but *please put ECO422 into the subject line* as emails will be filtered and I might miss your message otherwise. I will typically be responding to emails once per day in the evening.

Key dates:

- Midterm exam – October 23 at 5 pm
- Paper outline (1/2-1 page) – October 30th before 5pm
- Final paper – December 4th before 5pm
- Final exam TBA
- Please refer to the University calendar to confirm the add/drop dates:
<https://fas.calendar.utoronto.ca/sessional-dates#fall2019>

Prerequisites: ECO200Y1/ECO204Y1/ECO206Y1; ECO220Y1/ECO227Y1/(STA220H1, STA255H1)/(STA257H1, STA261H1); At least one FCE in ECO at the 300 level or higher. Please confirm the full list of the prerequisites with the economic department. I cannot waive course prerequisites. An administrator will remove anyone missing prerequisites.
<https://www.economics.utoronto.ca/index.php/index/undergraduate/load/prerequisites>

Academic Integrity, Accessibility & Help: You are expected to uphold your academic integrity (please review <https://www.artsci.utoronto.ca/current/academic-advising-and-support/student-academic-integrity>). For accessibility concerns please visit <http://www.studentlife.utoronto.ca/as>. If you need help, please contact the course instructor or the teaching assistant, your College Registrar, the Academic Success Center, as appropriate <http://www.studentlife.utoronto.ca/asc>.

Course Outline

All supplementary course materials will be posted on the web at <https://q.utoronto.ca>. **Please check the web page frequently to stay up to date with the course.** You are responsible for all readings (except those marked optional”) even if they were not covered in class.

1. Introduction to Competition Policy
 - a. Legislative Framework: Canada, the US, the EU
 - b. Objectives of Competition Policy
2. Markets
 - a. Market power and market definition
 - b. Entry barriers and entry deterrence
3. Coordinated Behavior among Competitors
 - a. Explicit collusion, tacit collusion, and conscious parallelism

Dr. Nadia Soboleva

Email: nadia.soboleva@utoronto.ca

Web: <http://homes.chass.utoronto.ca/~soboleva/>

- b. Big rigging
 - c. Social cost of collusion
 - d. Conditions that facilitate collusion
 - e. Strategic alliances
 - f. Detecting cartels, cartel deterrence
4. Monopolization and Abuse of Dominance
- a. Predatory pricing
 - b. Price discrimination
 - c. Raising rivals' cost
5. Merger analysis
- a. Benefits and costs of mergers
 - b. Canadian and US Merger Enforcement Guidelines
 - c. Modeling merger effects, measuring efficiencies
 - d. Merger remedies
 - e. Post-merger review
6. Vertical Restraints
- a. Resale Price Maintenance
 - b. Exclusionary Conduct
 - c. Tying and bundling
 - d. Refusal to deal